

FINANCIAL TIMES

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Britain: Thatcher still
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World news

Business summary

Pretoria hints at Mandela release

Nelson Mandela, the South African black nationalist leader imprisoned for more than 29 years, could be released if he committed himself to non-violence.

President P. W. Botha told the parliament that in return for such a commitment, Mandela could be released into South Africa itself rather than into a black homeland where he would be legally a foreigner without any right to participate in national political affairs.

Mandela has rejected several previous offers of freedom, but recently he suggested that he would be prepared to call a truce and negotiate with the Government if the ban on the African National Congress was lifted. Page 15

Shultz attacks

U.S. Secretary of State George Shultz opened a Congressional review of foreign policy by describing the communist system as "bankrupt, morally as well as economically". Page 6

'Star wars' doubt

Nato secretary general Lord Carrington cast doubt on the U.S. 'star wars' initiative. Page 1

Israeli denial

Israel said a report by the International Commission of Jurists that it runs a torture centre on the occupied West Bank was "baseless". Page 4

Eta base found

French police uncovered a base in Bayonne which they said was the operational centre of Eta, the Spanish Basque separatist guerrilla group. Eight people were arrested, including a man said to be Eta's deputy leader. Page 3

Corsican killed

Corsican anti-independence leader was shot dead in Ajaccio amid increasing tension between minority separatists and pro-French Corsicans. Page 5

French paper closes

Paris Ce Soir, the new French evening newspaper, suspended publication after only three weeks. It was unable to sell the 30,000-50,000 copies needed to break even. Page 1

Peronist division

Divisions within the Peronist Party, Argentina's main opposition grouping, deepened after the resignation of Diego Abadex, the president of the party's parliamentary group. Page 6

Fraud couple jailed

A couple who refused to return \$90,000 they were overpaid by Mellon Bank of Pittsburgh were each jailed for 30 years by the Philippines Supreme Court for fraud. Page 1

Heroin sentences

A military court in Ankara sentenced three people to life imprisonment for producing and smuggling heroin. Page 1

U.S. Carbide leaks

Union Carbide said its U.S. pesticide plant had 61 leaks of poisonous methyl isocyanate gas in the past five years, 33 more than reported last month. Page 1

Mengele reward

West Germany offered the largest reward in German criminal history for clues leading to the capture of Nazi concentration camp doctor Josef Mengele. The reward was raised from DM 50,000 to DM 1m (\$316,000). Page 1

Boeing to develop rival to Airbus

BOEING of the U.S., the world's biggest jet airliner manufacturer, is to develop a 150-seat aircraft as a direct rival to the European A-320 Airbus. Page 6

DOLLAR was weaker overall, closing at DM 3.162 (DM 3.160), FF 9.6725 (FF 9.68), SwFr 2.674 (SwFr 2.675) and Y254.8 (Y254.5). On Bank of England figures, the dollar's index was unchanged at 146.2. In New York it closed at DM 3.168, SwFr 2.683, FF 9.6875 and Y255.60. Page 37

STERLING continued firm in London, gaining 45 points against the dollar to close at \$1.131. It also improved to DM 3.575 (DM 3.57), FF 10.94 (FF 10.905), SwFr 3.025 (SwFr 3.0125) and Y288.0 (Y288.75). The pound's exchange index rose 0.2 to 71.6. In New York it closed at \$1.127. Page 37

WALL STREET: The Dow Jones industrial average closed 1.11 down at 1,288.77. Section III

LONDON: Equities and gilts rallied and then eased. The Ordinary index closed 0.8 down at 888.1. Section III

TOKYO: Shares hit a new peak with the Nikkei-Dow market average up \$1.58 at 11,992.31. Section III

GOLD rose \$3.50 on the London bullion market to close at \$308.75. It also improved in Zurich to \$307.25. In New York, the Comex February settlement was \$304.10. Page 36

TIN defied the trend towards lower base metal prices with cash standard metal being boosted \$113.5 to \$3,915 a tonne, mostly by buying on behalf of the International Tin Agreement buffer stock. Page 36

U.S. MONEY SUPPLY: M-1 rose \$4.7bn to a seasonally adjusted \$561.0bn in the week ended January 21 1985.

WINE sale at Christie's in London saw high prices paid for top clarets and vintage ports as U.S. buyers took advantage of the favourable dollar-sterling exchange rate. Page 10

AUSTRALIA'S inflation rate was 5.1 per cent last year, the lowest annual increase for 12 years. Page 4

EGYPT'S foreign bankers have been assured that new currency regulations that have undermined their business will be reviewed. Page 4

WEST GERMAN co-operative banks are launching their largest-ever rescue of DM 450m (\$156.2m) for Hammer Bank SpA. The bank was brought to the verge of collapse by injudicious lending by its previous management. Page 29

ELI LILLY, the U.S. drug company, is facing legal action by more than 700 UK residents who are seeking compensation for side-effects they claim to have suffered after taking Lilly's arthritis drug, Oprel. Page 10

LONHEBO, the international trading group, boosted pre-tax profits for the year to September 30 by 20 per cent to a record \$135.4m (\$15.6m), after greatly improved results in Britain and the U.S. Page 22, Lex, Page 18

ITALIAN Treasury Minister said the troubled Europrogramme unit trust would be liquidated in April but that investors might be able to convert their holdings into quoted shares. Page 19

ROYAL TRUSTCO, one of Canada's two largest trust companies, indirectly controlled by Brownman family interests, increased 1984 net earnings from C\$65m to C\$85m (U.S.\$64.3m). Page 1

We apologise for any typographical errors in today's edition arising from industrial action by members of the National Graphical Association in the proofreading room in London.

Europeans to join U.S. manned space station project

WEST EUROPEAN countries are to start detailed negotiations with the U.S. over joining the latter's space station project, after an agreement by 11 European ministers yesterday to expand greatly the continent's joint space programme.

The ministers, meeting in Rome under the auspices of the 11-nation European Space Agency (ESA), decided on a series of space projects that are due to increase the agency's annual budget over the next five years by 70 per cent to \$1.4bn.

The most important resolution was formally to accept President Ronald Reagan's invitation last year to participate in the U.S. project to build a manned orbiting space base by 1992.

West European nations, led by West Germany and including signi-

ficant participation by Italy and Britain, are to study over the next two years a project, called Columbus, that would provide a laboratory module to plug into the American orbiting structure.

The module could be used for experiments in low-gravity materials processing, the repair of satellites and observation of the Earth, using a separate space platform provided by Britain.

If the study proves the Columbus design is acceptable, the programme might cost the ESA nations \$2bn over 10 years. That would be added to the \$8bn that President Reagan has committed to the space station.

The U.S. is awaiting a formal response from Japan and Canada, which it also wants to participate in the project.

ESA countries will now begin discussions with Nasa, the U.S. space agency, and other U.S. Government agencies over the terms of the collaboration. Western Europe, with France in the lead, wants guarantees that the ESA countries will be free to use all parts of the orbiting base, not just the components they provide.

ESA officials want the agreement to be signed by the end of 1986. It could take the form either of a memorandum of understanding between the European agency and Nasa, or separate treaties between the U.S. and all 11 West European countries, which the U.S. Congress would have to ratify.

Western Europe also decided yesterday to start work on Ariane-5, a new, more powerful version of Western Europe's current satellite

launcher, France is to contribute most of the \$2bn that that would cost over the next 10 years.

The European ministers defused any possible disagreement between France and the other nations over the Hermes project, a French-inspired plan to build a miniature space shuttle, capable of carrying astronauts, that would enter orbit on top of an Ariane-5 rocket.

France is eager to see the Hermes scheme proceed quickly to give Western Europe a way to put people into space by the late 1990s, without using U.S. launch vehicles.

The Rome meeting agreed to a compromise resolution, welcoming the Hermes project but leaving open the question of whether ESA will support it when France completes its own studies in two years.

Other parts of the package agreed yesterday include programmes in satellites for telecommunications and observation of the earth.

The Rome gathering also said it would increase spending on astronomy satellites by 5 per cent a year, to reach \$130m a year by 1990.

Dr Harry Atkinson, the British civil servant who is chairman of ESA, said the programmes would assure a strong and independent role for Western Europe in space, lasting into the next century.

"Partnership with the U.S. over the space station and an autonomous role for Europe are not incompatible goals," he said. "You cannot be a reliable partner without being strong."

UK spacecraft idea, Page 2

Non-Opec oil producers may adopt cartel's price system

BY IAN HARGREAVES IN LONDON

OIL PRODUCERS outside the Organisation of Petroleum Exporting Countries appeared yesterday to be edging towards conformity with Opec's new pricing structure, agreed in Geneva on Wednesday.

Spot prices rose sharply yesterday in response to the Geneva agreement.

Mexico came closest to declaring its hand when its commission on oil export prices said after a meeting that a \$1-a-barrel cut in the export price of Mexico's Isthmus light crude would cost the country \$220m a year in lost earnings. That, it added, would be "significant but perfectly manageable".

A \$1 cut in Isthmus would bring it level with the new \$23 a barrel Opec price for Arabian Light, Egypt, which also produces light crudes, is expected to announce its February price for Suez Blend today or on Sunday.

Mr Abdel-Hady Kandil, the Egyptian Oil Minister who walked out of the Geneva meeting in disgust at the political infighting, said his country would adopt a "completely independent" stance on pricing. Suez has been priced at \$26 since January 1. It is thought unlikely, however, that Egypt will take any action likely to destabilise the Opec price deal.

Most interest, however, surrounds the intentions of the North Sea producers. Professor Tam David-West, the Nigerian Oil Minister, removed any doubts yesterday about Opec's intentions in fixing the price of Nigeria's Bonny Light

at exactly the same price as Britain's final-quarter price for Brent blend - \$28.65 a barrel.

Opec has pitched Bonny Light against Brent as a warning that the oil market should not be destabilised, he said.

The implicit threat is that if Britain refuses to return to the \$28.65 price, Nigeria will again undercut, precipitating another Opec crisis.

The British National Oil Corporation (BNOC) said yesterday that no early decision was expected on its retrospective "January" supplier prices. UK ministers are clearly hoping that the spot market will rise sufficiently to make a \$28.65 price justifiable by market grounds.

Norway, meanwhile, is in open negotiations in the next day or two with its customers on February prices. Indications yesterday were that Norway would stick to its two-month-old policy of setting prices by individual negotiations rather than attempt to return to an official price.

In the spot market, crude and gas oil prices rose sharply in early trading, especially for cargoes involving prompt delivery. There is a shortage of immediately available cargoes of light crude and gas oil. Some traders think the oil majors are deliberately manipulating the market to try to teach traders in the forward market a lesson. The main point is that there are no distress cargoes around and that is a change, said one trader.

Spot oil prices, Page 36

Thatcher defends economic strategy

By Peter Riddell, Political Editor, in London

MRS MARGARET THATCHER, the UK Prime Minister, last night strongly defended the necessity for the Government's economic strategy for containing inflation in the face of another sharp rise in UK unemployment and the recent increases in interest rates.

She dismissed the challenge of Mr Neil Kinnock, leader of the opposition Labour Party, in a rowdy House of Commons debate on a Labour censure motion against the Government's economic policy.

The Government comfortably won the vote on the motion by 392 votes to 221, a majority of 171.

Mr Kinnock urged a change in strategy after official figures yesterday showed an increase of 18,200 in January to a post-war UK record of 3.13m in the seasonally adjusted total of unemployed. It was the largest monthly rise since last September. The unadjusted figure, including school leavers, rose by 122,000 to 3.34m.

Mrs Thatcher described the figures as "disappointing" and said they showed the need for controlling unit wage costs.

Labour's decision to call for the first centenary debate since well before the 1983 general election backfired.

Mrs Thatcher showed her usual dominance of the Commons and was loudly cheered at the end by her own backbenchers after she challenged Mr Kinnock to urge the National Union of Mineworkers (NUM) to accept the same agreement in the coal dispute as has been accepted by the pit supervisors' union Nacods.

Unemployment figures worsen; TUC makes fresh move in pits dispute; Thatcher defends policies, Page 10.

Bundesbank lifts key Lombard rate by 1/2-point

BY JOHN DAVIES IN FRANKFURT AND PHILIP STEPHENS IN LONDON

THE BUNDESBANK, West Germany's central bank, yesterday lifted its key Lombard rate from 5.5 per cent to 6 per cent among measures aimed at improving its management of the domestic money markets.

The move was swiftly followed by the Dutch central bank, which lifted its discount rate by half a point to 5.5 per cent, the first increase in official rates in the Netherlands for more than a year.

Although described as "technical", the Bundesbank measures will, it is hoped, have a calming effect on the currency markets. They are expected to put some upward pressure on short-term rates.

The decision to raise the Lombard rate encouraged a general weakening in the value of the dollar. In London, the U.S. currency closed at DM 3.1620 - down 0.7 pence from Wednesday - and \$1.1310 to the pound (\$1.1265).

The Lombard rate, which has remained unchanged since September 1983, is the interest rate at which banks can obtain short-term borrowings from the Bundesbank against securities as collateral.

The Bundesbank said, however, that it wanted to limit the use of Lombard credit in future to "very short-term refinancing".

Instead, it wants to put more emphasis on its periodic security repurchase transactions with the banks as a device to meet their liquidity needs. It sees those as a more flexible and less dramatic means of influencing interest rates and liquidity.

It is offering a securities repurchase transaction to banks in February at a rate of 5.7 per cent, an increase on the 5.5 per cent rate offered on the most recent offers - but lower than the new Lombard rate.

To shore up short-term market rates, if necessary, the Bundesbank said it would offer to sell Treasury bills to banks at 5.5 per cent with a fixed maturity of three days.

With those steps, the Bundesbank is aiming to establish a range of between 5.5 and 6 per cent in which it can intervene flexibly and with less fanfare than through a Lombard rate adjustment.

The Bundesbank has been anxious to refine its money market techniques, with an eye to the effect on the strong dollar, but has been anxious to avoid curbing economic recovery through a big interest-rate rise.

In its latest decision, it has left its discount rate unchanged at 4.5 per cent. That is the rate at which banks can obtain longer-term borrowing against bills as collateral.

One banker said yesterday that a change in the discount rate would have had more far-reaching repercussions on interest rates generally. As it was, the effect of the Lombard rate increase was toned down by the other elements in the package.

Dr Gerhard Stoltenberg, the West German Finance Minister, said yesterday that the Bundesbank had made clear that there would be enough liquidity available to ensure continued economic growth.

Continued on Page 18

Stock market reports; Money markets, Section III

AT&T wins round in campaign against government restriction

BY PAUL TAYLOR IN NEW YORK

AMERICAN Telephone and Telegraph (AT&T), the U.S. telecommunications group, has won an important victory in its campaign against government restrictions on its commercial freedom.

The U.S. Federal Communications Commission (FCC) yesterday proposed lifting a 1980 requirement that has forced AT&T to market its office automation equipment and computerised services separately from its telephone business.

AT&T has argued that the separation was made redundant by the 1982 divestiture agreement that led to the break-up of the Bell telephone system. That agreement allowed the new slimmed-down AT&T to enter new unregulated markets in competition with companies such as IBM.

AT&T claims that the 1980 ruling - which forced it to set up a separate subsidiary currently known as AT&T Information Systems - has resulted in costly administrative

and other burdens. It also complains that its ability to market a full range of telecommunications products.

The group said yesterday that the 1980 ruling had cost it between \$1bn and \$1.5bn a year in duplicated expenses alone because of the need to keep AT&T Information Systems as a separate unit from AT&T's other main business divisions.

The commission accepted yesterday that the cost of the rule outweighed its benefits. However,

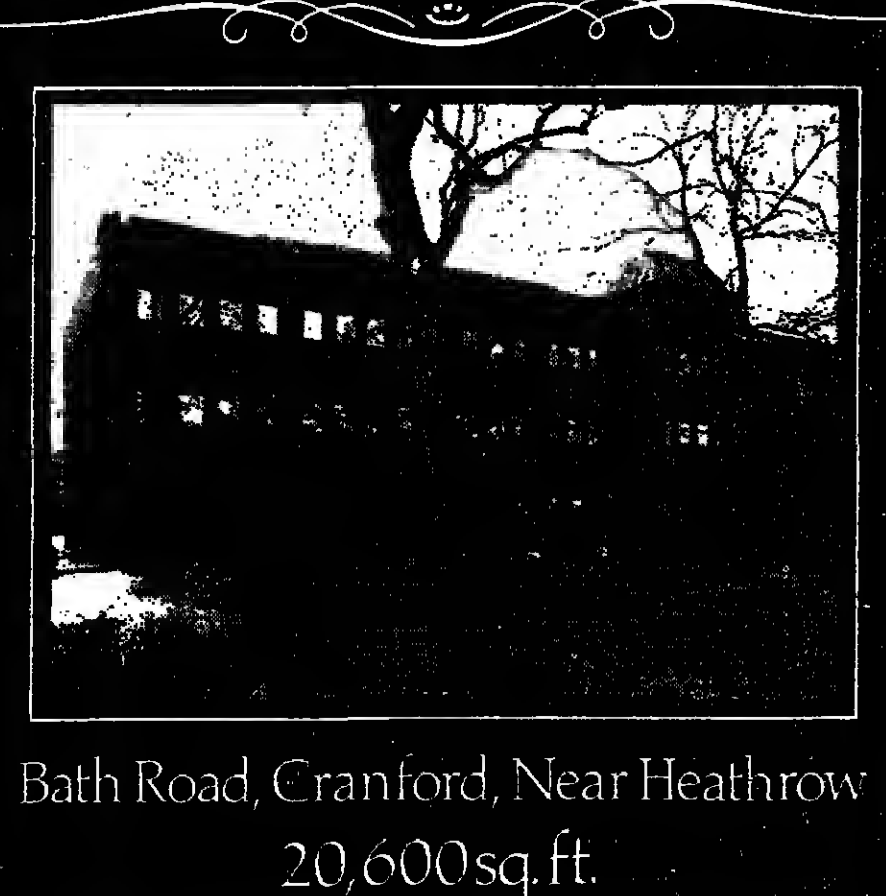
much to the anger of AT&T, the FCC decided against lifting the restriction immediately.

The further delay prompted a storm of protest yesterday from AT&T. Mr Charles Marshall, executive vice-president, said: "It is unthinkable that the Government would prolong monopoly rules and bureaucratic control over our business when there is no longer a monopoly."

Mr Marshall added: "Customers are getting the run-around. They are fed up with going to one part of AT&T for service and another part of AT&T for equipment. Today's action needlessly continues customer confusion, denies the American public lower-cost products and innovation enhancements to the telecommunications network and perpetuates a wholly unfair advantage for our competitors, both foreign and domestic."

IBM deal with Stratus, Page 19

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EUROPEAN NEWS

Hungary lifts lid on prostitution rackets

By Leslie Collett in East Berlin

THE RECENT arrests of five men for allegedly operating a prostitution ring in the Hungarian city of Szeged is one of the rare disclosures in Eastern Europe about a virtually taboo subject.

The men are said to have procured local young women for the drivers of foreign trucks in transit through Hungary and charged them in hard currency. They are alleged to have illegally gained solid Forints 3.7m (£68,000) in D-Marks, Schillings and other Western currencies.

According to a Budapest newspaper, the five are said to have used 14 women, at first supplied to the truck drivers at their parking lot near a Szeged hotel.

Later, they rented three flats where the drivers met their "casual partners." The women passed on the hard currency they received to the five men and got back half the currency's value in forints, the paper adds.

Although the Hungarian media is more open about such activities, prostitution exists throughout Eastern Europe and sometimes flourishes where Westerners congregate.

Prostitutes sit at all times of the day in the lobbies of major hotels in Warsaw where they are presumed to enjoy the protection of the police.

Although hotel lobbies have been declared off-limits in recent years for prostitutes in Prague, Bucharest and Budapest, they often deluge male visitors with telephone calls offering their company.

Tens of thousands of tourists from the Middle East, Southern Europe and elsewhere, flood into Hungary, Poland and Czechoslovakia each year in pursuit of young women who are often viewed with disdain by the inhabitants.

They are frequently also regarded as "amateurs" by professional prostitutes who resent their siphoning off precious hard currency.

Nonetheless, the prostitution which exists in Eastern Europe pales in comparison with pre-war conditions.

The big battle over agriculture is still to come reports Ivo Dawney
EEC farm reform put on hold

EEC farm reform unravelled proudly in Brussels last March, and triumphantly waved off at the heads of government summit in June, is still firmly grounded on the tarmac. Commission officials say that only a few minor technical hitches remain to be ironed out, and that take-off is imminent.

But the true message of this week's price proposals is that the delay will be substantially longer, certainly until autumn, and may only be unblocked by another major crisis over farm spending.

That is not to say that Mr Frans Andriessen, the former competition Commissioner now sitting in the agriculture hot-seat, is not anxious to pursue the process of reform initiated by his somewhat lacklustre predecessor, Mr Paul Dalsager.

Brussels opinion is unanimous that the former Dutch Finance Minister, noted for his sharp eye on budgets, is the man for the Commission's toughest job. But the problem for Mr Andriessen is that the Farm Ministers, the ultimate arbiters of progress on reform, appear to be slipping back into their old ways.

Mr Andriessen has therefore decided to buy time to see how the political land lies. Despite the 3.6 per cent cut in cereals prices and the reductions of up to 6 per cent for some Mediterranean products, the prices package is a holding operation.

Grains, fruit and vegetables are targeted for future action but the package does not attempt to tackle head-on the problem of surpluses. Nevertheless, Mr Andriessen's symbolic gesture is likely to provoke a spectacular fight with German grain interests and Italian and Greek horticulturalists in March.

In the longer term, however, it is his promise of a major review of the Common Agricultural Policy (CAP) by the summer which will concentrate the minds of member states, consumer interests and the farm lobby. If Mr Andriessen is determined to leave his mark on the CAP, he must lay the ground work in the first half of his four-year term. All the signs are that he will find this task as hard as his predecessors did.

"Our starting position," he said this week, "is that the fundamental principles of the CAP are not going to be called into question. But we must work out how, and with what instruments, agriculture should be allowed to develop until the year 2000."

The first problem Mr Andriessen must tackle is a disturbing loss of the will to change, clearly detectable among most farm ministers. The factors that lie behind this are both political and market based.

First, it was a genuine fear of CAP funds running out that inspired the Ministers last year to agree to the punitive "superlevy" on surplus milk production and to the principle that no more open-ended guarantees for surplus products could be given.

This year, the budget is also due to run out, possibly by September. But last year's Ecu 1.8bn (£1.1bn) bail-out supplementary farm budget, has set a precedent. Crises, like crises of "wolf" tend to lose their impact if repeated too often.

Second, the legally-fragile political agreement aimed at containing farm spending to less than the increase in the Community's own revenues means that Farm Ministers can pass the budget back to their Finance Ministers colleagues.

Product	Proposed price change for 1985-86 (%)	Price change in 1984-85
Cereals	-3.6	-0.9
Rye	-4.4	+0.1
Durum wheat	0	0
Rice	0	+1.1
Sugar (beet)	0	0
(refined)	+1.3	-1
Olive oil	+2	-2
Rapeseed	-1.5	-1
Sunflower oil	-1.5	-1
Soya	+1	+1.5
Flax	+1	+0.5
Cotton	+2	+1.5
Wine	0 to -5	+2 to -3
Tobacco (depending on quality)	+1 to -4	+1 to -3
Fruits and vegetables	+2.5	0
Milk	-10.6	-10.6
-skimmed milk powder	+4.8	+10.9
Beef	0	-1
Sheepmeat	0	-1
Pigmeat	0	-1

* 2 from January 1986

that, in effect, allows member states this year to take overall charge of paying the bills.

Pressure will now be on the Commission — particularly from France, West Germany and Ireland — to make this the permanent system. But if this takes place, the current 13 per cent milk surplus could persist indefinitely, fundamentally undermining efforts to reduce the excess.

The wine rules appear to be badly bogged down in committee over technical details, raising doubts over whether they, too, will stick. The dark rumours of fraud throughout Italy's farming community are also now at such a level as to provoke questions over the Community's ability to police its own decisions.

In the longer term, Mr Andriessen's greatest efforts must centre on how to overcome the impotence of Farm Ministers in tackling their politically potent domestic lobbies.

The experts are gloomy about his prospects for success. As Professor David Harvey of Reading University puts it: "Price reductions necessary to contain the growth of farm expenditure are politically unacceptable across the Community. In the end, the only alternative will be to put quantitative restrictions on the levels of support."

Both the milk superlevy and wine restraint agreed at the Dublin summit last month, are now looking decidedly shaky.

The original milk rules insisted that individual producers were responsible and financially liable for reducing output. But in an effort to defuse a political row, Mr Andriessen agreed this month to change

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Mr Andriessen decided to buy time

Bid to speed common technical standards

By Paul Cheeswright in Brussels

THE FIRST initiative of the new European Commission to free up the internal market of the EEC came yesterday when it published proposals to speed up the adoption of common technical standards by the Ten.

The Commission is seeking member government approval to abandon the laboured habit of seeking to negotiate among the Ten a common standard for products on an individual basis.

Instead, the Community would establish the basic standards for a product as far as health, interests of consumers and the environment are concerned, but would leave the technical details to national standards bodies.

The Community standards would be obligatory for a product moving from one country to another. The national technical standards would not be.

The aim of the Commission is to establish a common environment in which goods move more freely around the EEC and eliminate the use of standards as a measure of protection for specific national industries.

Work on the proposal was started by the previous Commission and picked up by Lord Cockfield, the new commissioner for the internal market, when he took up his post at the beginning of January.

Lord Cockfield acted quickly so that the item could go on the agenda of a Council of Ministers next month. But, on the most optimistic estimate, no change is likely until May at the earliest.

The Ten have committed themselves to the development of a common standards policy and have already undertaken to diminish the use of national standards.

Over the last 18 years, the Council has adopted 177 directives for common standards, but in many cases the standards have been obsolete before a standard has been settled.

The new Commission is seeking to speed up the process of standardising the internal market generated at summit meetings over the last two years.

Once Community standards have been established, under the Commission's new scheme, national authorities would be expected to produce technical standards fitting into the overall norm.

If they produce technical standards which do not, then the Commission will be able to overrule them. This last point, extending Commission power, could prove a sticking point in negotiations over the next few months.

Greens reach compromise on 'rotating' MPs

By Rupert Cornwell in Bonn

A DISCERNIBLE new pragmatism—as well as the harsh facts of German life—have prevailed the West German Greens into an unusually bloodless compromise on the vexed question of replacing, or "rotating," the party's MPs when the current parliament reaches its halfway mark next month.

Such rotation has long been part of Green doctrine, a reflection of the conviction that the 27 MPs sent to Bonn should not grow into a political caste drifting out of touch with the grass roots of the party.

But now, as the Parliament elected on March 6, 1983 stands nearly two years into its four-year term, the Greens have neatly managed to combine maintenance of principle with tolerance of a few exceptions.

Among these are two of their best known MPs, Ute Heuser and Herr Otto Schily.

Frau Kelly has long signalled her determination to serve in the Bundestag until 1987, whether her political views are or not. This week, Frau Antje Vollmer, the Greens' Bundestag spokeswoman, promised that no sanctions or other pressure would be exerted on her.

Herr Schily, a former lawyer, for his part, will stay on until at least June, to allow him to complete his work on the Bundestag's investigation of the Flick affair. He has been conspicuously the most feared and effective member of this committee. In all four Green MPs will not be stepping aside for a successor next month.

This peaceful outcome of a debate which has been overshadowed by the Greens for months is largely recognition of the fact that the reluctant might simply delay orders and resign from the parliamentary party.

This in turn would bring the group below the minimum required strength of 25 and deprive the Greens not just of financial support from the State, but also of various privileges, including seats on highly visible committees such as the one investigating the Flick affair.

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Russia 'will be able to counteract any U.S. ABM system'

By PATRICK COCKBURN in MOSCOW

THE Soviet Union will be able to move rapidly to counteract any anti-ballistic missile (ABM) system devised by the U.S., according to a senior Soviet military correspondent.

In the first specific account of possible Soviet countermeasures to a new U.S. ABM shield, Mr Vladimir Bogachev, military correspondent of the Soviet news agency Tass, says that the Strategic Defence Initiative (SDI), announced by President Ronald Reagan in 1983, assumes "that the Soviet Union will sit on its hands."

The Soviet Union would counteract any U.S. advantage by strengthening its offensive and defensive forces, Mr Bogachev declares.

He mentions specifically the manoeuvring warhead as capable of penetrating any new anti-ballistic missile system. The development of this was no longer necessary after the U.S. and the Soviet Union signed the 1972 treaty limiting ABM systems.

"In the event of the fulfilment of the U.S. Strategic Defence Initiative and Washington's rejection of the 1972 treaty, the situation will change, and each side will get busy deploying manoeuvring warheads," he says.

Moscow has emphasised that the disarmament talks with the U.S. in Geneva, due to start on March 12 will only see progress on limitation of nuclear missiles if there are also moves to prevent the development of space weapons.

In addition to warning that manoeuvring warheads could be deployed Mr Bogachev notes that the initial acceleration or "boost" stage of a missile, when it is most detectable and therefore vulnerable to countermeasures, can be reduced to 60 seconds.

This will make it impossible "in practice to detect a missile, make the decision to strike at it, and destroy it, even if the space-based ABM weapons hovering over the missile bases are used."

Mr Bogachev concludes by saying that any U.S. umbrella against Soviet missile attack will "have a hole in it."

Press commentaries from Eastern Europe were equally pessimistic yesterday. A report from the official Polish news agency argued that negotiations in Vienna face "new problems" caused by developments in Western military doctrine and the deployment of new weapons.

There were moments in the late seventies when agreement looked possible but with the end of détente, positions hardened and the talks have remained deadlocked for years mainly over the question of how many troops are deployed on each side.

Western officials continue to express publicly the hope that they will receive a positive response to the Nato proposals put forward last April. In private, however, many concede that progress now appears more likely at the European security conference in Stockholm than in Vienna.

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EUROPEAN NEWS

French police raid ETA base and arrest chief of staff

BY TOM BURNS IN MADRID

SPAIN'S security chiefs were jubilant yesterday over the arrest in south-west France of Sr Juan Lasa Michelena, one of the most wanted Eta gunmen, and 10 other Eta suspects, believing their detention is a blow to the Basque separatist terrorist organisation.

Sr Lasa Michelena, better known by his alias Txiki, and considered by Spanish intelligence officials to be Eta's so-called chief of staff, was detained together with the other Spanish Basques in a mid-week raid on a house in the village of Anglet, near Bayonne.

The swoop appeared to renew close Franco-Spanish co-operation over Eta terrorism which led between January and October last year to the deportation of 27 Eta members resident in France to Central America and to West Africa as well as to the extradition of three wanted gunmen directly to the Spanish courts.

Madrid newspaper reports linked the French action to a visit in mid-January by senior Spanish Interior Ministry officials to the Cape Verde islands, off the West African coast.

The officials allegedly received assurances that future Eta detainees in France could be deported to the islands and these assurances led directly to the swoop in Anglet.

Cuba, the Dominican Republic, Panama, Venezuela and the

Republic of Togo, which were the reception points last year for Eta deportees, are understood to have told French and Spanish authorities that they are unwilling to receive any more Spanish Basques.

An Interior Ministry spokesman refused to comment on the purpose of the Cape Verde islands visit and on reports of the imminent deportation of the Eta men to the former Portuguese colony.

The spokesman stressed, however, the importance of the detentions and released the text of a telegram in which the Interior Minister thanked his French opposite number for the latest show of co-operation against Eta.

Sr Lasa Michelena, 29, is linked by Spanish police to a number of murders, including those of three generals, a colonel, and a High Court judge as well as to a bomb attack on a nuclear plant under construction near Bilbao, which killed three people.

He is viewed as a key hard-liner within Eta who has systematically opposed all Madrid Government initiatives offering individual pardons to Eta members who forswear violence.

There were fears meanwhile that the arrest of Sr Lasa Michelena could further endanger the life of Sr Angel Urteaga, a San Sebastian businessman kidnapped on January 17.

Boost for Irish industry

BY BRENDAN KEENAN IN DUBLIN

IRISH industry received another boost from the Government yesterday, with the announcement that industrial electricity will be cut by up to 6 per cent.

This follows Wednesday's budget which it is hoped will end the three-year slump in consumer spending.

The reduction in electricity prices will be paid for by an extra allocation of cheap natural gas for power generation.

The Confederation of Irish Industry welcomed the reduction as a first step in bringing Irish industrial electricity charges, the highest in the EEC,

down to average European levels.

A recent survey found that Irish industry has been effectively subsidising domestic consumers by up to 30 per cent.

The allocation of extra gas means that domestic charges will not have to be increased.

In the past budget debate, the Opposition claimed that the tax concessions will be paid for with "funny money" because they depended on Ir£60m (€55m) being raised by revenue buoyancy from extra consumer spending and a reduction in purchases in Northern Ireland.

Commission in talks with industry on job creation

By Quentin Peel in Brussels

LEADERS OF the major European employers' organisations and trade unions yesterday met members of the European Commission in Brussels for a day of informal talks behind closed doors about how to tackle unemployment and create more jobs in the EEC.

The meeting was organised with a strict ban on advance publicity by M Jacques Delors, the Commission President, as part of an initiative to promote dialogue between the two sides of industry on a Community-wide basis.

It brought together the leadership of Unice, the union of European employers' federations, headed by Lord Penrose, formerly chairman of BICC and deputy chairman of ICI, and the European Trade Union Confederation (ETUC) led by its president M Georges Debrunne and General Secretary Herr Mathias Hinterscheid.

The inspiration behind the meeting is largely M Delors' desire to promote EEC policies not only to improve efficiency and competition in a genuinely common market, but also to emphasise social welfare and direct schemes to create more jobs.

He was expected to expand on his ideas for EEC-wide collective bargaining agreements as part of the framework for the achievement of an open market, in spite of considerable suspicion from both sides of industry.

Apart from M Delors, the Commission was represented at the meeting at the Chateau du Val Duchesses by Herr Karl-Heinz Naejes, the Commission's director for the Internal Market. Mr Peter Sutherland, the commissioner responsible for competition and social affairs, and Herr Alois Pfeiffer, the commissioner responsible for economic affairs and employment.

Top Yugoslav court rules on exchange law

By Aleksandar Lebi in Belgrade

YUGOSLAVIA'S highest court has ruled that key provisions of the country's present foreign exchange law are unconstitutional and has threatened to declare them null and void, unless parliament changes them within six months.

The Government had already planned an overhaul of the 1977 currency law this year. But if it follows the court ruling, it will have to find new ways of allocating scarce convertible currency between public and corporate needs.

The inter-bank market, which used to perform this allocation role, collapsed in the early 1980s as the country's debt crisis set in and demand for foreign exchange far outstripped supply.

The eleven to three majority decision by members of the Constitutional Court ruled that the constitutional role of the dinar as sole legal tender within the country was infringed by the law.

At present, this allows companies to opt whether to convert foreign exchange into dinars or keep it in special accounts, enables them to invest foreign exchange abroad, and permits them to pool local resources so as to share in the foreign exchange proceeds from their joint activities.

The court also ruled that decrees governing individuals' use of foreign exchange accounts, such as the \$250 limit on cash withdrawals, were invalid without parliamentary approval.

Announcing the court decision the court rapporteur claimed the present currency legislation had done the country "inestimable damage," and that the review, started a year ago, had been undertaken at the court's own initiative in response to many complaints.

The decision, particularly because it was not unanimous, seems likely to re-open the hot political debate between the richer and poorer among Yugoslavia's eight republics and provinces.

Peter Marsh in Rome reports on British plans for an expanded role in new technology UK unveils revolutionary space aircraft idea

BRITAIN yesterday changed its low-profile policy on space technology in Western Europe at a meeting of West European Ministers in Rome which agreed to an expanded space programme over the next decade.

As a result of decisions over the past few weeks by Mrs Margaret Thatcher, the Prime Minister, and other senior Ministers, Britain has developed a new attitude towards space, under which it is recognised that work on space development could lead to useful commercial opportunities over the next few years.

Britain has previously spent most of its money on low-risk projects put forward by the European Space Agency, the 11-nation club that co-ordinates Western Europe's space activities such as telecommunications satellites.

But yesterday, Mr Geoffrey Pattie, Britain's Minister for Information Technology, who led the UK delegation, commanded much attention from other European countries with a UK plan for a potentially revolutionary space aircraft called HOTOL (Horizontal Take-Off and Landing).

The aircraft, designed by British Aerospace and Rolls-Royce, is so far largely a private sector project and has received only minimal government funding. Although it is still at an early stage, HOTOL could provide a cheap and easy way to put people and materials into space, using a vehicle looking like a conventional jet.

Both France and West Germany yesterday formally recognised Britain's new attitude to space. M Hubert Curien, France's Minister of Science and Research, said: "I am glad to see now that the British are ready to increase their contribution to European space activities."

Dr Heinz Riesenhuber, the West German Technology Minister, said he welcomed Britain's "friendly and constructive approach." West German officials are particularly interested in the HOTOL project, whose possibilities, they say, should be fully explored.

The HOTOL design is based on a new type of engine developed by Rolls-Royce which doubles as a conventional jet engine and a rocket motor. The engine uses oxygen from the air to provide a chemical explosion to give lift—just as in an ordinary aircraft. After the aircraft has reached the limit of the atmosphere, about 150 km above the earth, the

engine switches over automatically for fuel to a supply of liquid oxygen that it carries in a tank.

As a result of this double-pronged action, the aircraft should, its backers argue, take off from a runway and reach space without requiring the massive amount of energy provided by a conventional rocket motor.

It would differ from the U.S. space shuttle in requiring far less rocket fuel, which adds weight and therefore cost to a space mission.

The European Space Agency formally expressed interest in the project yesterday. In a couple of years time it may provide further support in the form of cash for development work. The aircraft could eventually emerge as a European launch vehicle to rival future generations of Ariane, the conventional rocket designed mainly by France.

Besides causing a stir with its space aircraft project, Britain also agreed to play a big part in the Columbus project to build a large space module as part of the U.S. space station planned for the 1990s.

Pending design studies, the UK will build an orbiting platform for experiments in earth observation that will dock periodically with the American core of the manned space base.

West Germany and Italy are to provide other parts of the Columbus, such as propulsion units and accommodation for astronauts. Britain is due to put up 15 per cent of the \$2bn that Columbus will probably cost.



Mr Geoffrey Pattie

Mr Pattie said Britain's budget for space activities, now running at \$90m a year, could rise by 50 per cent by 1990 to take into account the extra work.

The Minister gained the final go-ahead for the new UK policy at a Cabinet meeting last Monday, the day before he announced the formation of a new British National Space Centre to co-ordinate activities.

Mrs Thatcher was won over to the cause of supporting new space projects by the argument that over the next decade they will usher in new industrial opportunities; for example, in satellite repair projects or sales of space snapshots of the earth.

With these farmers could monitor crop conditions, for example. The new role for Britain comes roughly 20 years after the country pioneered work in space technology through the development of Blue Streak, a rocket that was to form a key part of a previous pan-European launcher called Europa. Poor management and lack of wholehearted support by successive UK governments led to work on Blue Streak petering out.

France and West Germany were to take leading roles in the European space agency, which was formed in 1975.

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Submarines enter Swedish water

BY DAVID BROWN IN STOCKHOLM

THE MILITARY Supreme Command in Stockholm yesterday revealed that "underwater activities"—most likely operations carried out by foreign submarines—had continued late into last year in the restricted territorial waters surrounding Sweden's most sensitive naval facilities, despite recent improvements in anti-submarine defences.

It is understood that the number of such confirmed sightings has declined slightly compared to previous years.

But the Supreme Command cites 20 incidents "extremely difficult to explain as anything other than foreign underwater operations," although it says they have become more cautious in character.

The Supreme Command declines to speculate publicly on the nationality of the intruders, although earlier reports point specifically to special forces connected with the Soviet Baltic fleet.

Since the "whisky on the rocks" affair in 1981—when a Soviet nuclear-armed Whiskey class submarine ran aground in restricted waters outside the Karlskrona naval base after "navigation malfunctions"—Sweden has been frustrated in its attempts to force its foreign intruders to surface.

The military has taken a number of steps to improve its coastal defences, including the purchase of two miniature submarine "scouters" of the type thought to have been used by unknown foreign frogmen who escaped into the open sea last year after being fired on by Swedish conscripts near the Karlskrona base.

Finances of Faeroes 'in parlous condition'

BY HILARY BARNES IN COPENHAGEN

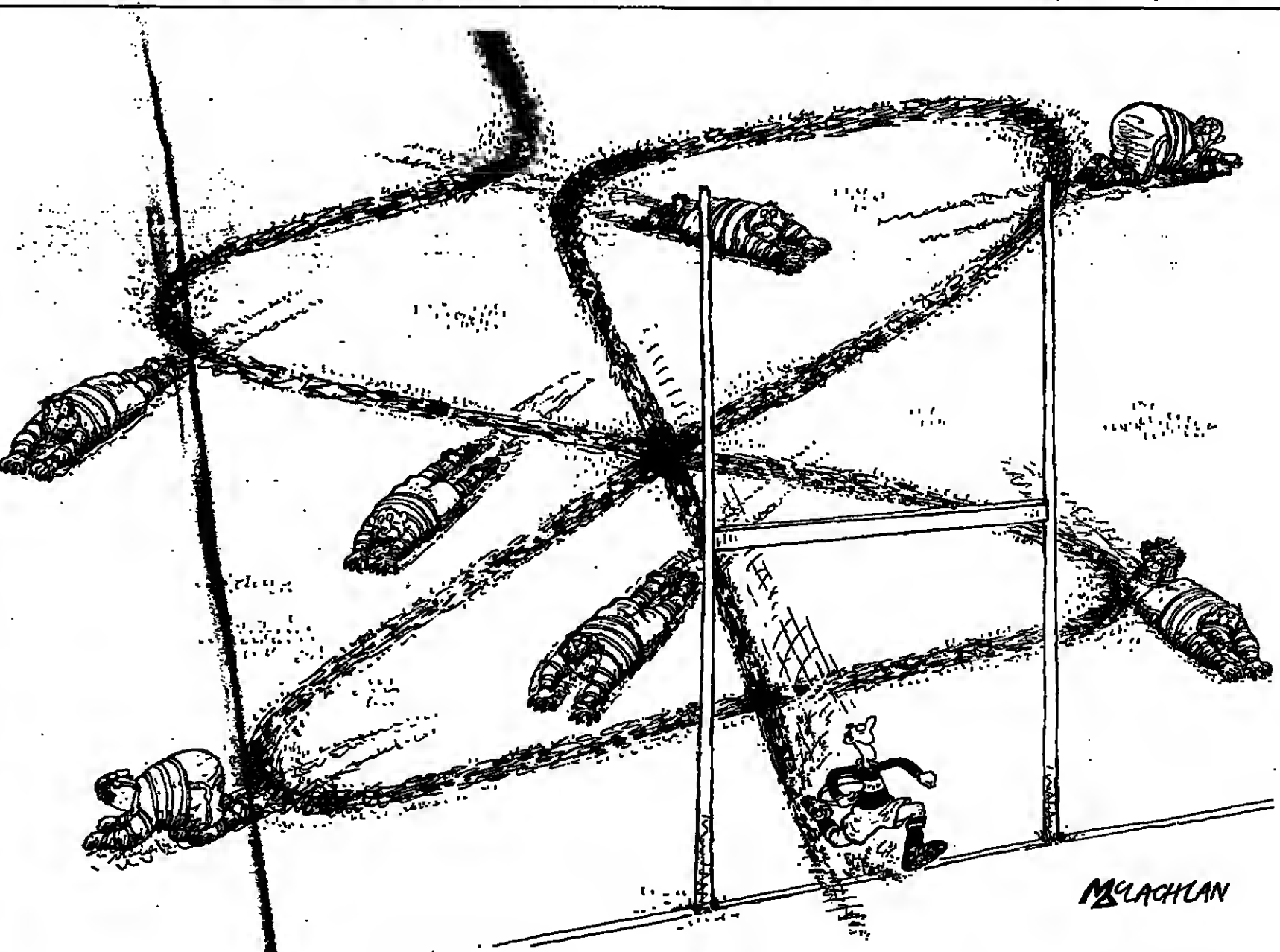
THE FINANCES of the Faeroe Islands, which are a self-governing province of the Kingdom of Denmark, are in a parlous condition, according to a report by the Danish Government's consultative committee on Faeroese affairs.

The islands' net foreign debt at the end of last year was just over Dkr 3bn (€380m) or 62 per cent of the Gross Domestic Product, and it is foreseeable that by the end of this year it will have risen to 75 per cent.

of GDP. Mr Niels Skak-Nielsen, head of the Danish Bureau of Statistics and chairman of the consultative committee, said.

The current balance of payments deficit in 1984 was Dkr 800m while export revenues were Dkr 1.6bn.

The committee said that severe surgery is required to reduce expenditure and imports. Private consumption was said to be about 20 per cent higher than the country can afford.



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Litigation particulars relating to Amalgamated Estates (Public Limited Company) and the Stock are available in the Extra Statistical Service and copies may be obtained during usual business hours up to and including 28th February, 1985 from the Company Announcements Office of The Stock Exchange and up to and including 15th February, 1985 from:

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Shepperton
Middlesex TW17 9PB
Blyth Dutton
8 & 9 Lincoln's Inn Fields
London WC2A 3DW

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January 30, 1985, London.
By: Citibank (NA) (CSI Dept), Agent Bank

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OVERSEAS NEWS

S. Africa
rejects MNR
demandsBy Anthony Robinson in
Cape Town

SOUTH AFRICA is still committed to help bring about an end to the civil war in Mozambique but peace has been frustrated by "unreasonable" demands from the rebel Mozambique National Resistance (MNR) which believes itself close to winning the conflict, Mr P. W. Botha, the South African Foreign Minister told a press conference yesterday.

"The last demands of the MNR have not even passed on to President Machel because they are so unreasonable that he would think that something was wrong with me if I transmitted them," he said. "The MNR believes it is on the point of winning but I told them they could stay like that for 10 years while destroying the country in the process," he added.

Mr Botha repeated the categorical denial of South African clandestine support for the MNR issued two weeks ago by President P. W. Botha. But he added: "I do not deny that there might be elements within South Africa and further afield from where individuals do take or plan actions in support of the MNR."

South African security forces and the police were under strict instructions to act against suspected individuals, he added. He underlined continuing support for the March 16 Nkomati agreement between South Africa and Mozambique and stressed South Africa's own direct interest in the re-establishment of secure rail, road and power links with Maputo.

Without naming countries Mr Botha added: "I believe assistance is being rendered to the MNR from countries in Europe and the Middle East and who knows from elsewhere," and welcomed the recent statement by Mr Mario Soares, the Portuguese Premier, that the Portuguese Government opposed external interference in the affairs of its ex-colony.

Mozambique rebel blast cast doubt on S. African accords

BY ANTHONY ROBINSON, RECENTLY IN CABO BASSA



SEEN FROM the air, the twin plumes of white water which surge from the Cabo Bassa dam across the deep granite gorge of the Zambezi River in North West Mozambique suggest that vast quantities of power are being generated, as planned.

But Africa's mightiest hydro-power complex, completed by a consortium of European and South African companies in 1979 and designed to supply 1,450 Mw of electricity to South Africa and over 200 Mw to Mozambique, is merely ticking over.

No power has flowed down the 1,400 km of high tension cables or the Apollo distribution station near the South African capital of Pretoria since October 1983. It was then that armed rebels from the Mozambique National Resistance (MNR) blew up 37 of the 6,400 pylons in Mozambican territory between Chimoino and Gogoi, over 500 km from the dam itself.

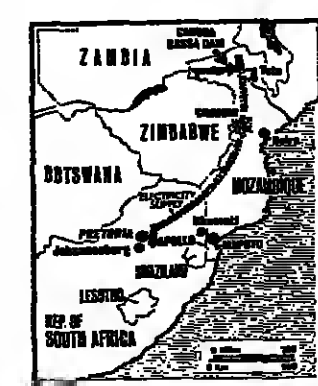
Conceived in the early 1960s as a symbol of Portugal's determination to hold on to and

develop its African colony, the dam's construction continued throughout the guerrilla liberation struggle waged by Frelimo. Two years after Frelimo became the new Government of an independent Mozambique in 1975, the dam started up, but Portugal remained saddled with servicing the debt it had incurred to build it.

The first MNR attacks on the 800 km of vulnerable pylons came in 1980, barely a year after the last of the five, 415 Mw generating sets started up to bring the project up to its full 2,075 Mw capacity.

Ironically, they coincided with the period when South Africa, deeply involved in stabilising its newly-independent Marxist-Leninist orientated neighbours, took over the financing and control of the MNR from its original Rhodesian and Portuguese colonial founders. From the time of the attacks power flowed only intermittently from Cabo Bassa and in October 1983 it ceased entirely.

Why South Africa should sup-



port armed bands whose activities cut off between 8 and 10 per cent of South Africa's total electricity requirements has long been one of the most perplexing features of an operation shrouded in secrecy.

Close analysis shows that over-ambitious electricity demand forecasts by the South African electricity corporation, Eskom, gave South Africa more than adequate supplies of rela-

tively cheap domestic coal-fired power. The current from Cabo Bassa was cheap and useful, but not essential.

The main losers were Portugal, which has had to continue making interest and capital payments on the debt, and Mozambique, which instead of being able to re-import Cabo Bassa power in the South of the country through the South African grid, has been obliged to pay hard currency for its South African supplies.

The Frelimo Government's belief that an agreement with South Africa would lead to a cessation of armed attacks on the project was an important element behind its decision to sign the Nkomati agreement with South Africa in March 1984.

This was followed six weeks later by the Cape Town agreement between South Africa, Portugal and Mozambique, which dealt specifically with Cabo Bassa and was hailed as the first concrete achievement of the Nkomati talks.

Under the Cape Town agree-

ment Eskom agreed to pay 50 per cent more for the 1,450 Mw of assured supplies it contracted to buy. For the first time Mozambique was to receive a direct payment of 0.1 South African cents for every kw/h supplied to South Africa, in addition to the 80 Mw of power from the project re-imported to the South. Portugal was to receive hard currency from South Africa with which to repay the debts incurred in construction.

But the Cape Town agreement, which included a clause for both sides jointly to take immediate steps to protect the transmission lines from attack and to guarantee the safety of maintenance teams, has remained a dead letter, because of the escalation of activity by MNR armed bands.

In February 1984, a month before the Nkomati agreements, all the pylons were repaired, only to be blown up again a few days later.

MNR activity has also prevented the completion of an ambitious plan to improve the Northern provinces through

a power line more than 1,500 km long from Cabo Bassa. French and Italian technicians working on the project and similar extension plans in the south of the country have been withdrawn after two Italians were killed in September last year.

Neither the dam itself nor the five generators and turbines housed in a cavernous underground chamber blasted out of granite have ever been the object of MNR attack. Anti-aircraft platforms are hidden among the dense foliage above the dam and small groups of Frelimo Government soldiers, armed with Kalashnikov assault rifles keep watch dressed in camouflage uniforms, and badly fed and supplied, they live in makeshift shelters of flattened tin cans and discarded construction equipment.

Given the degree of support the MNR has received from South Africa before Nkomati, the Mozambican authorities were confident that the ending of clandestine support from South Africa would rapidly improve the internal security situation.

Their hopes were particularly high in respect of mutually beneficial projects like Cabo Bassa and the road and rail connections between South Africa and Maputo.

Instead, the security situation in Maputo province has deteriorated so badly that road travellers need a military escort to travel safely. The rail line has only just been restored after an explosion which destroyed one span of a rail bridge 7 km from the border at the new year, and now the South Africa to Maputo power lines are under attack.

The Mozambique Government and top officials are convinced that many of the attacks have been carried out by bands infiltrating across the nearby border with South Africa.

They also blame prominent Portuguese politicians and right-wing political groups in West Germany and elsewhere for supporting the MNR. As the anniversary of the Nkomati accords grows closer, the questioning of their value grows more searching.

Nigeria steel boss fired

BY PETER BLACKBURN IN LAGOS

THE general manager of Nigeria's state-owned Delta Steel Company, Mr Fred Brume, and seven other senior staff have been dismissed following a Government inquiry into allegations of financial and administrative mismanagement.

The inquiry was part of the federal military Government's campaign to combat corruption and to reorganise the country's troubled steel sector. The multi-million dollar programme launched by a previous military government in the 1970s has encountered serious delays, and design, production and logistical problems. It includes two integrated steel plants, three rolling mills, a flat products plant, an iron foundry, and a special area of the inquiry's findings.

Production at Delta, a West German-designed and built direct reduction project located at Aladja near Warri in Bendel state has been affected by irregular electricity supplies which have damaged the electric arc furnace.

Output was halted for two months last year following alleged sabotage of the plant. This year, however, Delta plans to run close to full capacity of 1m tonnes a year of steel billets.

Announcing the Government's decision in Lagos this week, Alhaji Riwanu Lukman, the Minister of Mines, Power and Steel, said that the dismissal of Mr Brume followed a "painstaking" seven months' exami-

India to ban defections

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Parliament yesterday adopted a Bill to amend the constitution which seeks to ban defections by politicians from parties on whose tickets they have been elected. The Bill will put an end to a widespread practice that has been a major source of corruption.

The Historic Bill was passed by the Rajya Sabha (upper house) unanimously after the Lok Sabha (lower house) had adopted it without dissent the previous day. It is expected to become part of the constitution shortly before half the country's 22 states elect new legislatures in the first week of March.

Mr Rajiv Gandhi, the Prime

Minister, introduced the legislation as a matter of priority. He said the Bill aimed at removing the evil of "politics without principles."

Defections have been a feature of Indian politics for more than two decades. They have frequently toppled state governments that had been thought stable. They have often been engineered by political rivals who found it easy to persuade legislators to leave their original parties by offering them large sums of money.

The Bill seeks to disqualify members of Parliament and state legislatures, if they leave a party or vote or abstain from voting contrary to party direc-



Mr Bob Hawke

Australia's
inflation
rate fallsBy Michael Thompson-Noel in
Canberra

AUSTRALIA'S Labor Government drew comfort yesterday from consumer price index (CPI) figures showing that inflation in the 12 months to December was 5.1 per cent, the lowest yearly increase in 12 years.

Inflation in the December quarter was 1.4 per cent, against 2.4 per cent a year earlier. Under Labor, annual inflation has been cut from 11.5 per cent in March 1983 to a rate comparable with the OECD average—halted yesterday as a further boost for the Prime Minister, Mr Bob Hawke's Government and the unions.

As pay settlements are now centrally fixed and directly linked to movements in the CPI, Australia's 6m workers stand to get a 2.7 per cent pay rise in April, following a 4.1 per cent increase last April. They have received nothing in the interim.

The Government has gone to great lengths in recent days to insist that the economic recovery of the past two years is not about to be dissipated, and that its pay agreement is holding firm.

Ministers have stressed that in addition to the abrupt fall in inflation, unemployment has fallen to 8.5 per cent, growth is strong, and inflation remains high.

In addition, although business investment fell in the September quarter, the Government maintains that real business investment rose in 1984-1985 as a whole will grow by more than 6 per cent.

Lange spurns
warship ban

By Dai Hayward in Wellington

NEW ZEALAND Prime Minister David Lange, who yesterday was nominated for the Nobel Peace Prize by the Swedish Peace and Arbitration Society based in Gothenburg, rejected demands from the left-wing in his Government to ban all U.S. warships from the country's ports.

However, the New Zealand Government's ban on all nuclear-powered or armed vessels continued to place strains on the Amman treaty which allies New Zealand with Australia and the U.S.

Mr Lange admitted yesterday that the ship the U.S. has asked to send to New Zealand in March was capable of carrying nuclear weapons and that his Government would officially request that a different ship be despatched. The news of the peace prize nomination came as a surprise to Mr Lange, who said it regarded it as a tribute to his Labour Party's anti-nuclear policy rather than recognition of his own efforts.

Visit to Peking

Rear Admiral Almeida E. Costa, the governor of Macao, the tiny Portuguese-administered territory on China's southern coast, has announced that he would visit Peking next Monday at the invitation of the Chinese Government. David Dodwell reports from Hong Kong. The one-week visit is seen as being significant because of the recent successful completion of Sino-British negotiations over the future of Hong Kong after 1997.

Egypt to reconsider new
currency regulations

BY TONY WALKER IN CAIRO

FOREIGN BANKERS in Egypt have been assured that new currency regulations that have undermined their business will be reviewed amid indications of a rift in the Egyptian Government over foreign exchange administration.

Dr Mustapha Said, Egypt's Economy Minister, undertook yesterday at an at times tense meeting with foreign bankers to reconsider the currency regulations introduced early in January.

Representatives of foreign currency branches established under Egypt's "open door" policy complain that because the regulations, in effect prevent the realising directly in letters of credit, their business has been more than halved.

At the same time, there has been stern criticism in the official press of Dr Said's handling of the new regulations, reflecting the displeasure of

senior figures in the Government, notably Gen. Kamel Hassan Ali, the Prime Minister.

Gen Ali has said the regulations, aimed at undercutting the black market, were subjected to Dr Said's own interpretation and were different from those agreed to by the Government.

Their introduction followed a serious disruption in the foreign exchange market late last year which resulted from conflicting government signals about its plans to control currency speculation.

Under the new regulations, published early last month and since modified, strict controls were placed on the methods of financing imports including an attempt to abolish the "down exchange system" under which importers directly funded their activities by purchasing foreign exchange on the black market.

Iraqi troops in offensive
against Iranian positions

BY MICHAEL FIELD

IRAQ yesterday said that its forces had attacked Iranian positions in the central sector of the Iran-Iraq front line. The attack is thought to have been a relatively small-scale operation mounted by a single brigade.

It followed a much bigger Iraqi attack in the southern sector of the front north of Basra in the beginning of this week. The two attacks together are the first offensive operations launched by the Iraqis for the past year.

The timing of the attacks seem designed to embarrass the Iranians as they begin to celebrate the start of the Ten Day Dawn, which commemorates the

period in 1979 between the return of the Ayatollah Khomeini on February 1 and the final collapse of the Shah's regime.

The Iranians have denied that the second attack has taken place at all and demand the first as "the kind of encounter that takes place every day." The Islamic Republic's defence spokesman, Ali Akbar Hashemi Rafsanjani, described it as "a normal thing."

In both Baghdad and Tehran it is now tacitly admitted that the governments have abandoned the hope of outright victory. The attacks of both sides in the last 12 months are interpreted as attempts to consolidate defensive positions.

Israel denies torture

ISRAEL SAID yesterday that

allegations that it runs a torture centre on the occupied west bank were "baseless." David Lennow reports from Tel Aviv. A military spokesman said the report of the International Commission of Jurists was "a web of false claims, originating from hostile organisations."

The Geneva-based commission accused Israel of torturing prisoners at the Sabra and Shatila detention centre near Nabulus on the West Bank to extract or fabricate confessions.

The military spokesman said: "The Fara'a detention facility

is under the supervision and control of Israeli military and civilian legal bodies and of other public bodies as well. Furthermore, the International Red Cross has free access to the facility just as it has to the other detention facilities in the area."

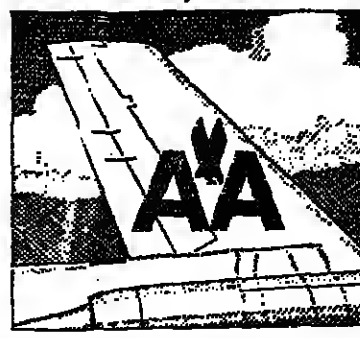
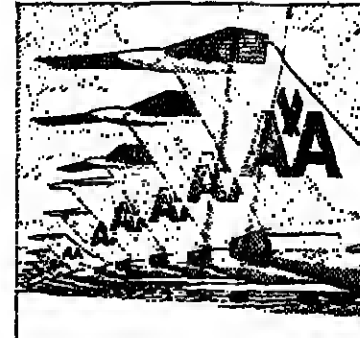
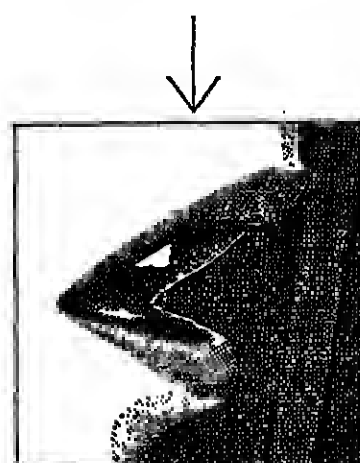
AP adds from Geneva: The Israeli denial of torture charges was dismissed yesterday by the British secretary general of the International Commission of Jurists. "I do not regard it as a serious answer," Mr Nial MacDermott told a reporter when asked for comment on the denial. "It is just a burst of anger."

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Robert Fleming & Co.	14 1/2	7-day deposits 11.00% and over 11.75%	
Robert Fraser & Potts	14 1/2	21-day deposits over £1,000 12.25%	
Grindlays Bank	14 1/2	12% £50,000 and over 12.25%	
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Shultz condemns communism as morally bankrupt

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

MR. GEORGE SHULTZ, U.S. Secretary of State, yesterday opened a wide-ranging congressional review of U.S. foreign policy with a tough but upbeat assessment of the East-West conflict, in which he described the West as "resilient and resurgent." By contrast, the communist system "looks bankrupt, morally as well as economically," he said.

As the first witness in a series of hearings by the Senate Foreign Relations Committee that are due to last until March, Mr. Shultz suggested that the communist countries feared the world-wide "information revolution" more than western military strength. The new communications technology could profoundly affect the East-West balance, he said.

"If knowledge is power, then the communications revolution threatens to undermine their most important monopoly—their effort to stifle their people's information, thought and independence of judgment," he said. "Either they try to stifle these technologies and thereby fall further behind in the new industrial revolution, or else

they permit these technologies and see their totalitarian control inevitably eroded."

Mr. Shultz argued that while the direct use of American force must always be a last resort, the West must be willing to defend its democratic values and its way of life. "Passive measures are unlikely to suffice," said Mr. Shultz, who is the Administration's leading exponent of the view that the use or threat of military force should be an integral arm of diplomacy.

Congress must also support the U.S.'s new MX missile and President Ronald Reagan's "star wars" strategic defence programme, he said, to bolster the U.S. position in the forthcoming Geneva arms talks. Mr. Shultz said that critics of "star wars" are locked into a "passionate defence of orthodox doctrine in the face of changing strategic realities."

Seaga under pressure from Jamaican \$ slide

BY CANUTE JAMES IN KINGSTON

THE continuing fall in value of the Jamaican dollar, which has been sliding for the past 14 months, has left Mr. Edward Seaga, the Prime Minister, with few options in a tricky political gamble.

The local currency has been devalued by 64.9 per cent since November, 1983. It was the slide which earlier this month, sparking two days of public protests which brought Kingston to a standstill.

The progressive devaluations follow twice weekly "auctions" by the central bank, at which limited amounts of hard currency are sold to bidders. The selling rate sets the exchange rate, and demand has been about four times supply.

Despite calls from Mr. Michael Manley, the former prime minister,

and the business community, that he fix the parity of the dollar, Mr. Seaga has remained unmoved.

Tampering with the auction system would violate undertakings with the IMF, which has given the island compensatory financing and standby credits of \$143m.

Yet there is concern within the administration over the extent to which cobbling devaluations, leading to price increases, will be accepted without further protests by Jamaicans.

In the past year, electricity rates have increased by 114 per cent, telephone by 100 per cent and water by 80 per cent. Prices of basic foods have also been increased, and this month's fuel price hikes have already caused transportation costs to jump by 25 per cent.

Trans Union directors guilty of breach of duty

By William Hall in New York

THE DELAWARE Supreme Court has found that the directors of Trans Union Corporation breached their fiduciary duty to shareholders when they agreed in 1981 to sell their company for \$688m (\$614m) without asking for sufficient information to make a responsible decision.

Another Delaware court has to decide whether the \$35 per share price was too low and if so the directors will be forced to make up the difference.

While the decision may be appealed and is applicable only to Delaware State corporate law, the case has caused considerable consternation in U.S. legal circles.

Many of America's biggest corporations are registered under Delaware company law and this makes their boards of directors vulnerable to similar disputes between the company and aggrieved shareholders.

U.S. corporate lawyers say that the decision is one of the few occasions in recent legal history when U.S. directors have been found guilty of not living up to the business judgement rule which has traditionally given them protection from such lawsuits.

wrong decision the directors are normally protected if they could argue that they had taken prudent steps to make an informed judgement in the best interests of the corporation.

In the Trans Union case, the Delaware Supreme Court has overturned two lower court rulings, and said that the directors had breached their fiduciary responsibility to shareholders by their failure to inform themselves of all information reasonably available to them.

The Trans Union lawsuit had been brought by more than 10,000 former Trans Union shareholders who had argued that their company had been sold too cheaply and without sufficient discussion to the Marmop Group, which is controlled by the wealthy Fritzsche family from Chicago.

David Gardner explains how two anniversaries fall conveniently for the Government

Mexican party pins hopes on patriotism



NO SOONER had the Christmas decorations come down on Mexico City's huge thoroughfares than the political posters went up. Television and the Press were swiftly mobilised to celebrate a year of patriotism. 1985 is the anniversary of two Mexican revolutions: the first in which it won independence from Spain, the second in which it overthrew a dictatorship and set up its present-day political system.

Conveniently for the ruling Institutional Revolutionary Party, which traces its origin to the second revolution, 1985 is also an election year. The PRI's political dominance of Mexico is not at stake in these elections — for Congress and seven state governorships — and it is unlikely that any opposition force strong enough to deprive it of power will emerge in the foreseeable future.

But the vote takes place with the PRI's standing at an all-time low, and in a year which senior economic ministers are suggesting will be the toughest yet after Mexico's financial collapse in 1982.

This will be the first real opportunity Mexicans have had to vote on the crisis, the austerity which followed, and the party's role in causing it. Only about half the labour force is in work and those with jobs have lost 32 per cent of their purchasing power.

The PRI is likely to face its toughest challenge from the Right-wing National Action Party (PAN) backed by sections of the business community. The PAN is well placed to win the

state governorships of Sonora and Nuevo Leon in the more prosperous and Americanised North, the stronghold of the private sector. But the PRI has never allowed itself to lose a gubernatorial election in two well-known cases, it has lost the vote.

The long run-up to the July 7 polls has begun in an atmosphere soured by the election-linked violence Mexico has known for well over a decade. At the new year, in towns throughout the Northern border state of Coahuila, PAN supporters went on the rampage in protest against alleged fraud in municipal elections on December 2, and to try to prevent PRI mayors from taking office.

In the worst incident, in Piedras Negras, at least two people were killed, 42 wounded and dozens of PAN supporters took refuge over the border in Eagle Pass, Texas. The army

was brought in to regain control.

The regime's political response to the Coahuila riots was vehement. Sr. Adolfo Lopez Mateo, the PRI president, blamed reactionaries — and political fortune-hunters for trying to "manipulate the economic crisis to obtain political dividends."

Party and trade union leaders duly followed his remarks with calls for the PAN and the Institutional Revolutionary Party's Organisation Coparmex to be outlawed.

The remarks of Sr. Miguel de la Madrid, the Mexican President, after the Coahuila riots were also charged with unusual energy: "There are still people outside Mexico and some inside who think Mexico does not deserve to be independent and would like to see us under the dominance of a foreign power."

he said. "I know there have been traitors to the fatherland

In Mexico and we are going to pursue them with the energy the people of Mexico demand."

The PRI Government sees an unholy alliance being built up against it, particularly in Sonora, where it believes that the PAN candidate for Governor, one of several prominent businessmen in the Opposition is fielding in the North, is backed by the conservative church hierarchy and the U.S. Republican Party.

The current U.S. Administration, in this view, is trying to build up the PAN and the private sector into a counterweight to the PRI. Whether or not this is true is not as important as the fact that government and party leaders believe it to be true.

Though not all PRI members regard the PAN as a Trojan horse for U.S. interests, there is widespread suspicion of private sector intentions. Although big business was politically discredited by the 1910 revolution, the PRI continues to regard it as a competitor for power.

Over the last four decades business has on the whole done well out of the PRI but the power of Mexico's public sector to make or break most enterprises has kept it politically quiescent. The emergence of a new generation of politically assertive businessmen has therefore rattled the ruling party. And although the Government has gone out of its way to accommodate the private sector, risking the wrath of its nationalist Left wing rank-and-file members, business support for the regime is wavering.

Some of this support has lined up behind the PAN, which though it lacks a coherent programme, has gathered a growing protest vote. It won a string of elections in major Northern cities in 1983.

Though Sr. de la Madrid's government came into office promising clean elections, the 1983 elections soon saw the return of the PRI "alchemists," who fix the results. In Mexico, on the California border, the Government party is believed to have lost 5-1 in 1983, while in Puebla, a conservative enclave South-east of Mexico City, one estimate puts the PRI loss at 13-1. Both cities now have PRI mayors.

The PAN nonetheless is a basically urban party, and the PRI has the machinery and support to crush its meagre rural vote. Arithmetically, this could assure it clean wins. But on the evidence of the campaign so far, overthrown by the campaign riots, even the perception of fraud could unleash a serious civil backlash.

The latest revolutionary anniversary advertisement to appear on TV stresses unity. It features the satellite which Mexico plans to put up in May which will be named Morelos, after the 19th century revolutionary who rebelled against Spanish rule in Mexico. The idea is to suggest that unifying Mexico through telecommunications is an achievement of the revolution. There is no reason why it should be ironic that it will be a U.S. satellite that puts the satellite into space but in Mexico, that is how the advertisement will be seen.

Costa Rica faces long debt haul

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

COSTA RICA will need about 10 years before it can hope to begin reducing its \$400m (£260m) foreign debt. Sr. Frederico Vargas, Foreign Debt Minister, said in London yesterday.

Notwithstanding intensive efforts now under way to boost exports, it will take two to five years for the country to run a visible trade surplus, he said in an interview. This year the trade deficit should be reduced to \$38m from \$98m in 1984 but the current account balance of payments deficit will still be \$300m compared with \$358m in 1984.

Unlike many other Latin American countries Costa Rica has made great progress in stabilising its domestic economy. Its inflation rate stood at about 13 per cent last year, and bankers expect that real growth could turn out significantly higher than the official estimate of 3.4 per cent, making Costa Rica the fastest growing economy in Latin America last year.

But the burden of debt service—interest payments of some \$400m annually compared with only \$60m—continues to impose great strain on the current account forcing the country to remain a substantial net borrower.

Sr. Vargas, who is to address

European bank creditors in Hamburg today, said, however, that this year's \$75m new money loan from commercial banks will not be repeated in 1986.

The six-year loan, which bears interest at a margin of 13 per cent over Eurocurrency rates or 13 per cent over U.S. prime, is to accompany a ten-year rescheduling of \$150m and \$194m in bank loans falling due in 1985 and 1986 respectively.

The margin on the rescheduling has been set at 14 per cent over Eurocurrency or domestic certificates of deposit rates and repayments begin after a three year grace period.

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Split in Peronist Party deepened by resignation

BY JIMMY BURNS IN BUENOS AIRES

DIVISIONS WITHIN the Peronist Party, Argentina's major opposition grouping, deepened yesterday following the resignation of Sr. Diego Abad, the president of the party's parliamentary group.

Sr. Abad resigned under pressure from over half of the 111 Peronist deputies that sit in the Lower House after being accused of "collaborating" with the ruling Radical Party.

The resignation was the latest move in an increasingly complex power struggle, which has plunged the Peronists into their worst-ever internal crisis

and cast a shadow over the future of Argentine politics.

Two major rival factions within the party have taken the unprecedented action of planning to hold separate national conventions this weekend, in spite of the fact that both were declared illegal by a court order earlier this week.

A dissident grouping of 436 members of the party's national convention will meet near Santiago del Estero to elect new leaders and to press for a democratisation of the party along broadly social democratic lines.

possible participants in such a programme will be included in future talks.

The Japanese have for some time been planning a 150-seater jetliner, the X-150, and have been keen to exploit it in conjunction with Western aerospace manufacturers. Boeing could undertake its venture alone if necessary, however.

Mr. Wilson gives no indication of the market potential, but Boeing estimates world demand for new airliners over the next decade will amount to about \$130bn (£126bn).

This could amount to as many as 4,000 airliners, of which well over half are expected to be in the short-to-medium range category which would be served by the 150-seaters.

Boeing will also continue to develop its existing range of aircraft, including an advanced version of the twin-engine 737 Jumbo jet, a smaller, quieter version of the twin-engine 737 seating up to about 120 passengers; longer-range versions of the twin-engine 767; and a third, smaller, single-engine, lighter-flight-control system compact flight deck electronics and greater flexibility in on-board service arrangements.

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Auditor General qualifies ECGD accounts because of debt risk

BY CHRISTIAN TYLER, TRADE EDITOR

THE GOVERNMENT auditor has for the third year running qualified the accounts of Britain's official export insurance agency, the Export Credits Guarantee Department.

The Department is criticised for not making enough financial provision for the possibility that a debtor country might fail to repay its trade loans.

In his report on the 1983-84 accounts published yesterday, Mr. Gordon Downey, Comptroller and Auditor-General, says that the provision of £110m for so-called "political" losses is too low.

In an unusually long critique of the accounts—the ECGD is trading at a loss for the first time in its history—the auditor also disclosed that five confirming houses have been refused further cover under one of the department's special policies.

Six policyholders accounted for three-quarters of the claims paid out on the external trade facility, a scheme insuring British traders supplying goods from one foreign country to another. The new business of the remaining policyholder was being "closely scrutinised," the report says.

Mr. Downey's aspersions on political loss provisions is the latest episode in a minor war between the ECGD and MPs on the Commons Public Accounts Committee.

ECGD officials argue that the department has never been hit by a country debt repudiation and that to anticipate one would only encourage defaults.

However, Mr. Downey says the provision, although consistent with present accounting policies, is in effect a "material understatement."

"I consider that the risk of losses should be given specific recognition in the ECGD's accounts," in the previous financial year the department put in a "token" provision of £14.6m.

The new figure is intended to cover losses on a political insurance liability of just over £20m between Greece and Britain, businessmen were told in London yesterday.

Prof. Kostas Valtos, the Minister of National Economy responsible for industrial strategy, said Britain was the only EEC member country whose commercial relations with Greece had not benefited from Greece's entry to the Community in 1981.

He said willingness to transfer technology, help Greece's exports and collaborate in third markets was almost as important as price, quality and delivery.

The Government was budgeting for \$10.5bn (£5.5bn) worth of investment over the next five years in electricity generation, transport, industry—including some high technology areas—

is held up in central banks abroad. Claims against the Department were a record £574m.

The ECGD's borrowing from the Consolidated Fund to cover its cash deficit is expected to reach £400m by the end of the present financial year next month.

Points raised by the government auditor are likely to be taken up later this month when the Public Accounts Committee will begin its inquiry into the ECGD. Despite MPs' uneasiness at the department's risk exposure in risky markets, the Department of Trade appears satisfied that the picture is brightening and that new business is likely to be profitable.

Meanwhile the department is reviewing a number of its loss-making services, some of which seem certain to be reduced or axed.

At the same time an internal management review seems likely to recommend that the department should recruit from outside, and be allowed to pay salaries more in line with the private sector. The aim is to improve administrative efficiency and stop the drain of talent to the banks.

British exports to Greece are the most comprehensive contained within one of its water, power and fuel supplies. Power comes from a specially designed Rolls-Royce generator. Staff living quarters are also included.

The company's development of the station follows its success with mobile radio transmitting stations built on the back of two trucks.

Last year Incomtel exported its entire output and turnover is running at £4m a year.

Mr. Hollinsworth said yesterday there was considerable interest in the television station from many parts of the world and the company expected further orders.

Whisky exports rise

UK exports of Scotch whisky increased by 1.5 per cent last year compared with the previous year, writes Lisa Wood.

The exports earned £381m, the levels shipments are well below those of the late 1970s.

UK company receives Gadafi's TV signal

By Raymond Snoddy

WHEN THE Libyan leader, Col. Muammar Gadafi, goes to his home town of Sirte he has trouble watching television. The weak local signal is often drowned out by broadcasts from Italy.

All that is going to change, thanks to a small broadcasting equipment company in Shepherd's Bush, West London.

The company, Incomtel, is establishing a commercialised television transmitting station for the area. It has a coverage of around 50 miles.

The station, costing about £2m, is the first of a new range of television stations being produced by Incomtel.

A smaller version which can be transported in a single container can serve a town the size of Reading in Berkshire.

The 10 KW station, which is mobile, can be used to restore programmes during emergencies or breakdowns.

The large 10 KW station, of the type used by Libya, can begin broadcasting within days of arriving on site—anywhere from a remote jungle clearing to an isolated desert.

Mr. Heath Hollinsworth, director of operations at Incomtel, says he believes the company's products are the most comprehensive contained within one of its water, power and fuel supplies. Power comes from a specially designed Rolls-Royce generator. Staff living quarters are also included.

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Boeing to develop rival to A-320

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING, of the U.S., the world's biggest jet airliner manufacturer, is to develop a 150-seater aircraft as a direct rival to the European A-320 Airbus. It will be available in the early 1990s, whereas the first A-320s will be delivered in 1988-89.

The Boeing aircraft is likely to be twin engine, but it may be either jet or turboprop, using the latest engines such as the international V-2500, or a "prop-fan" (a turboprop engine driving a propeller rather than a large ship's screw), the technology for which Boeing has studied intensively in the U.S.

Boeing has yet to decide on the power-plant. Propfans, however, are likely to be available by the early 1990s for commercial airliner use.

There is not yet specific design for the aircraft. However, Boeing has dropped ideas it has been studying for some time for any derivatives of the highly successful 737 specifically for the 150-seater market (the 737-400 and 737-500 had been canvassed as possibilities).

A 737 derivative and the so-called "Dash 7" design have also been abandoned.

Mr. Wilson, Boeing chairman, says that airlines "are very interested" in the venture. The company had held extensive discussions with many operators in the U.S. and overseas, convincing it that a large potential market exists.

Airlines which have made significant contributions to the Boeing bank include Scandinavian Airlines System in Europe, and Delta and United of the U.S. In addition, well over 40 airlines are understood to have made positive contributions to Boeing's thinking.

Delta has plans to buy upwards of 100 new short-to-medium range jets starting later this year, to replace its fleet of ageing 727s. Boeing appears to have made its commitment to the design to ensure that it is in that fight to build

SAS, the Scandinavian airline, announced yesterday it will buy five MD-81 aircraft from McDonnell Douglas for delivery next year to expand its short- to medium-haul domestic and European routes, writes David Brown in Stockholm.

The deal is worth about \$125m and the group has taken an option on a further 18 aircraft.

SAS recently ordered six MD-80s for delivery late this year for \$150m (£136m) and already operates 60 DC-9s—the largest fleet outside the U.S. The DM-80 series is

a modernised version of the original DC-9 range.

SAS has in recent years emerged as one of the world's profitable airlines, with a growing share of European full-fare traffic. However, three years of improving earnings have been insufficient to finance the \$30m replacement of the existing DC-9 fleet until the end of the decade, said Mr. Jan Carlzon, the managing director.

SAS will replace its nine 75-seat DC-9-21s starting in 1988 with up to 30 90-seater aircraft. It is considering the Fokker 100, the MD-87, and a possible future Airbus project.

Boeing will also continue to develop its existing range of aircraft, including an advanced version of the twin-engine 737 Jumbo jet, a smaller, quieter version of the twin-engine 737 seating up to about 120 passengers; longer-range versions of the twin-engine 767; and a third, smaller, single-engine, lighter-flight-control system compact flight deck electronics and greater flexibility in on-board service arrangements.

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Foster Wheeler in technology deal with Finns

By Maurice Samuelson

PEUGEOT 505 GTI ILLUSTRATED (ALLOY WHEELS STANDARD). £10,295. 505 PRICES START FROM £7,545. 505 GTI: TOP SPEED 115 MPH 0-62 MPH 10.0 SECS (MANUFACTURER'S FIGURES). PRICES QUOTED EXCLUDE NUMBER PLATES, ROAD TAX AND DELIVERY AND ARE CORRECT AT TIME OF GOING TO PRESS.
FOR A COMPREHENSIVE INFORMATION PACK ON THE 505 RANGE, WRITE TO: PEUGEOT TALBOT, INFORMATION SERVICE, DEPT. FT12.D, HENDON ROAD, SUNDERLAND SR9 9XZ.

THE MANAGEMENT PAGE

French telecommunications

The future looks less certain

Guy de Jonquieres explains why the innovative and vigorous DGT is now confronted by an array of challenges

"THE RENOVATORS of technology in France" is how Jacques Dondoux, the ebullient head of the Direction Générale des Télécommunications (DGT), the national telecommunications authority, likes to describe his organisation's role in the country's industrial economy.

It is a bold claim. But even critics concede that the DGT has, in the past 15 years, made a powerful contribution to equipping France's economic infrastructure and stimulating the development of its electronics and telecommunications industries.

Since the early 1970s, a massive DGT investment programme has transformed the previously antiquated public telephone network from a butt of national jokes into one of the most modern and efficient systems in Europe. Subscriber connections have increased fourfold to more than 22m, giving France one of the highest levels of telephone penetration in the world.

With a vigour unusual for nationalised monopolies, the DGT has also pioneered development of an array of innovative products and services. Projects, including a national electronic telephone directory service distributed on inexpensive home terminals, Europe's largest national data communications network and Telecom 1, the French business communications satellite launched last year, have earned prestige abroad and provided valuable orders for France's high-technology manufacturers.

The DGT's 165,000 staff and revenues last year of FFr 72bn (£8.73bn), make it one of the country's largest commercial concerns. Its FFr 30bn annual investment budget, though lower in real terms than the peak reached in the late 1970s, is roughly twice that of British Telecom and gives the organisation far-reaching economic influence.

Because of its achievements and a reputation for enthusiastically embracing technological change, the DGT has faced few public pressures in the past for a curtailment of its monopoly of the kind with which BT has had to contend.

Today, however, its future looks much less certain. But, faced by mounting internal and external pressures, it faces an

array of challenges to its methods of operation and its institutional status. Among them:

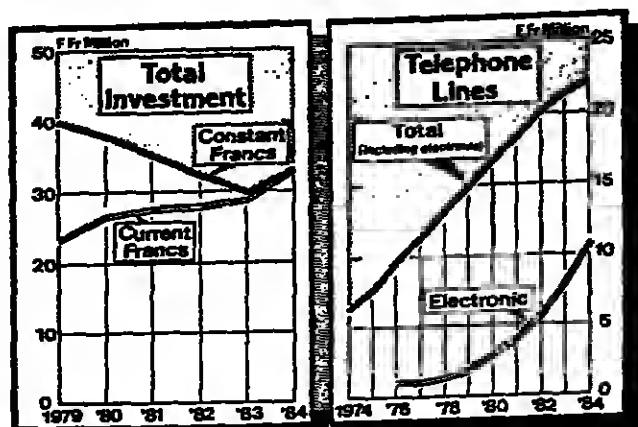
- Its reluctant — and costly — obligation to take over from the government from last year the financing of the "filère électronique," the national electronics industry programme. About half the FFr 3.4bn spent last year was to shore up loss-making nationalised industries.
- The DGT's own acute concern at the elimination of competition between its equipment suppliers, following the merger in 1983 of the telecommunications businesses of Compagnie Générale d'Électricité and Thomson, the country's two largest electronics groups.
- The repercussions from U.S. deregulation and the outbreak of a price war on transatlantic calls.
- Demands from both French and foreign companies for a more liberal policy towards the supply of advanced telecommunications services, notably "value-added" electronic networks.

Dondoux sees it as a compliment that the government has recently asked DGT to help financially troubled state-owned electronics companies. It is quite natural, he says, that the government should want to call on the talents of an organisation which has proved such a dynamic performer.

But Henry Ergas, a telecommunications expert with the Paris-based Organisation for Economic Cooperation and Development, believes that much more is at stake. "Today, the DGT is at the whim of the Government," he says. "When the DGT is perceived simply as an arm of the bureaucracy, pressures for liberalisation of its monopoly will increase."

He contrasts its position with the extensive independence achieved under the DGT's last director-general, the visionary and sometimes high-handed Gerard Théry, who masterminded much of its investment programme in the 1970s. They left office soon after the Mitterrand Government was elected.

There are also signs of unease among the elite corps of engineers who make up much of the DGT's senior management and who resent the diversion to industry of funds which could be used to finance profitable DGT investments.



There seems little doubt that many would prefer an institutional arrangement which would guarantee the organisation greater freedom from ministerial interference.

It seems unlikely that the Mitterrand government will make such a change before next year's parliamentary elections. But the DGT's predicament has found an echo in right-wing opposition parties, which favour loosening state control over industry. The recent flotation of British Telecom shares has been keenly watched in France. Whether a right-wing government would go so far as full-blooded privatisation of the DGT, currently part of the Ministry of Posts and Telecommunications, is uncertain, however.

There is also unhappiness in the DGT at a government-imposed freeze on hiring and firing since 1981. Though with a customer-to-employee ratio of 125:1, the DGT looks leanly staffed compared with BT (ratio 83:1), managers complain that they are prevented from recruiting badly-needed experts in fields such as marketing.

The financial burden on the DGT has grown rapidly in the past few years, too. As well as funding the filère électronique, it was required last year to contribute FFrs 2.1bn to the central government budget and is labouring under the mounting cost of servicing FFr 11.5bn of debt, much of it incurred to finance its network modernisation programme in the 1970s.

About half the total is in foreign currencies, and a third in dollars — reflecting a directive from the former Barr govern-

ment to borrow more abroad. In 1983, a high increase in provisions to cover higher debt service costs plunged the DGT into a FFr 1bn loss for the first time. Last year it reported a profit of FFr 6.4bn — a rather notional figure, which excludes the costs of the filère électronique, contributions to the national budget and covering FFr 3bn losses by the postal service. Even that was achieved only thanks to a whopping 25 per cent rise in the unit charge to telephone calls last summer.

Dondoux says that even after the increase, French tariffs compare favourably with Britain's or West Germany's. But that is little consolation to French subscribers, and traffic volume has fallen since the rise took effect last August. In a full year, the DGT expects traffic growth to be only 3 per cent instead of the normal 7-8 per cent.

It is also clearly concerned about its role as an equipment purchaser. Dondoux points out that the government-backed Alcatel-Thomson merger was supposed to produce economies of scale which would result in lower prices. "But of course, when there is only one supplier and one customer, there's nothing to fix prices. It's a power struggle."

Christian Fayard, head of Alcatel-Thomson's public telecommunications division, complains that the DGT's pricing policies are extremely tough and that its equipment orders have declined. But Dondoux argues that the industry's problems stem from failure to adapt to a shift in the order mix in

favour of private terminals and away from public network equipment.

"We are ordering as much as before, but differently. When people say we are ordering less, it's because they haven't positioned themselves successfully on the new markets," he says, adding: "It's not my job to run the industry."

Longer term, undoubtedly the toughest problem facing the DGT is how to deal with the spread of international telecommunications deregulation. Publicly, French authorities have condemned recent U.S. and British moves in this direction as politically-motivated disruptions. But privately, these developments are spurring feverish official debate in Paris.

So far, the DGT has responded to the recent outbreak of transatlantic price-cutting by lowering sharply its tariffs to North America and raising those on intra-European traffic. But Dondoux admits that the French market cannot be isolated from international pressures forever and he is studying plans for major changes in the inland tariff structure in the next few years.

"We will have imported deregulation," he says. The effect will be to raise tariffs for local telephone service, which is currently unprofitable, and "notoriously under-priced," he says, while cutting charges on money-making long-distance routes. Such "balancing" to eliminate the long-standing monopoly system of cross-subsidies between different services is already under way in the U.S. and Britain.

The DGT has already surrendered its monopoly over much private apparatus and some 350 models of telephone are freely on sale in French shops. There is also fierce competition between half-a-dozen manufacturers of private branch exchanges (PBXs). But apart from IBM of the U.S., which makes exchanges in France, foreign suppliers have been rigorously discouraged.

DGT officials do not exclude the possibility of a change in the rules eventually to allow large companies operating private data networks in France to share or sell spare capacity to other users.

Jacques Stern, chairman of



Jacques Dondoux called on by the government to help out financially troubled state-owned electronics companies

The nationalised Bull computer group, is among senior industrialists pressing for a more liberal policy towards the new generation of "value-added" networks, which combine computing and communications to process and transmit information. At present this market, which embraces services such as electronic mail and electronic publishing, is small in France and is firmly controlled by the DGT.

Dondoux is cautious, however, fearing that such action could open the floodgates to American domination. "If no problems of hegemony are involved, we are prepared to deregulate," he says. "But if we see that the only consequence of deregulation is to allow the American computer industry to make profits at the expense of the French industry, then we regulate."

Critics argue, however, that such an attitude risks stunting innovation. With international competition mounting, IBM already deeply entrenched in the French information-processing market and technology challenging many of the fundamental premises on which regulation is based, it remains to be seen how long it will endure unchanged.

Jacques Stern, chairman of

within four years by generating increased call revenue. On average, households with minitel use them for 15 minutes a week, increasing their call traffic by about 10 per cent.

But the minitel is still a long way from creating a truly "wired society." Only 100,000 of the 850,000 terminals installed so far are routed, and some of the 800 privately-run information services available are prohibitively expensive. It costs about FFr 140 an hour to consult the videotex version of Pariscope, a show guide which sells at newsstands for FFr 5. The DGT hopes that charges will fall as the market expands.

Earlier French dreams of winning big overseas sales for minitel have also dwindled. The DGT says this is because of a slower than expected start to videotex abroad. But the terminal has also been upstaged in the U.S. by inexpensive home computers which can be plugged into telephone lines and have processing power of their own.

Now the DGT is preparing to take an even bolder bet on the future. It aims to spend FFr 12bn a year installing advanced cable television systems in France. Plans for about a dozen networks have been announced so far, and by the end of the century Dondoux expects cable systems to be operating in all major cities and much of the rest of the country as well.

The scale of the DGT's involvement has aroused much controversy, particularly while the French Government's policy on the regulation of broadcasting of all kinds remains somewhat confused. "It's a gamble," admits Dondoux. "Like all gambles, you can't be sure that it will work. Some people call it my Vietnam."

He insists, however, that cable television systems using the latest optical fibre cables and sophisticated switching devices can be profitable after seven years, and that the DGT's pioneering role will be applauded by the 1990s. "We have a strategic interest in developing this kind of technology."

Nonetheless, the DGT has erred in tipping technological winners in the past. A grandiose plan to install inexpensive facsimile machines in half of France's homes, launched in 1977, was abandoned in 1981 because manufacturers could not meet the DGT's cost targets. "We have taken some stupid gambles," concedes Dondoux. "We aren't blessed with second sight."

The wired society

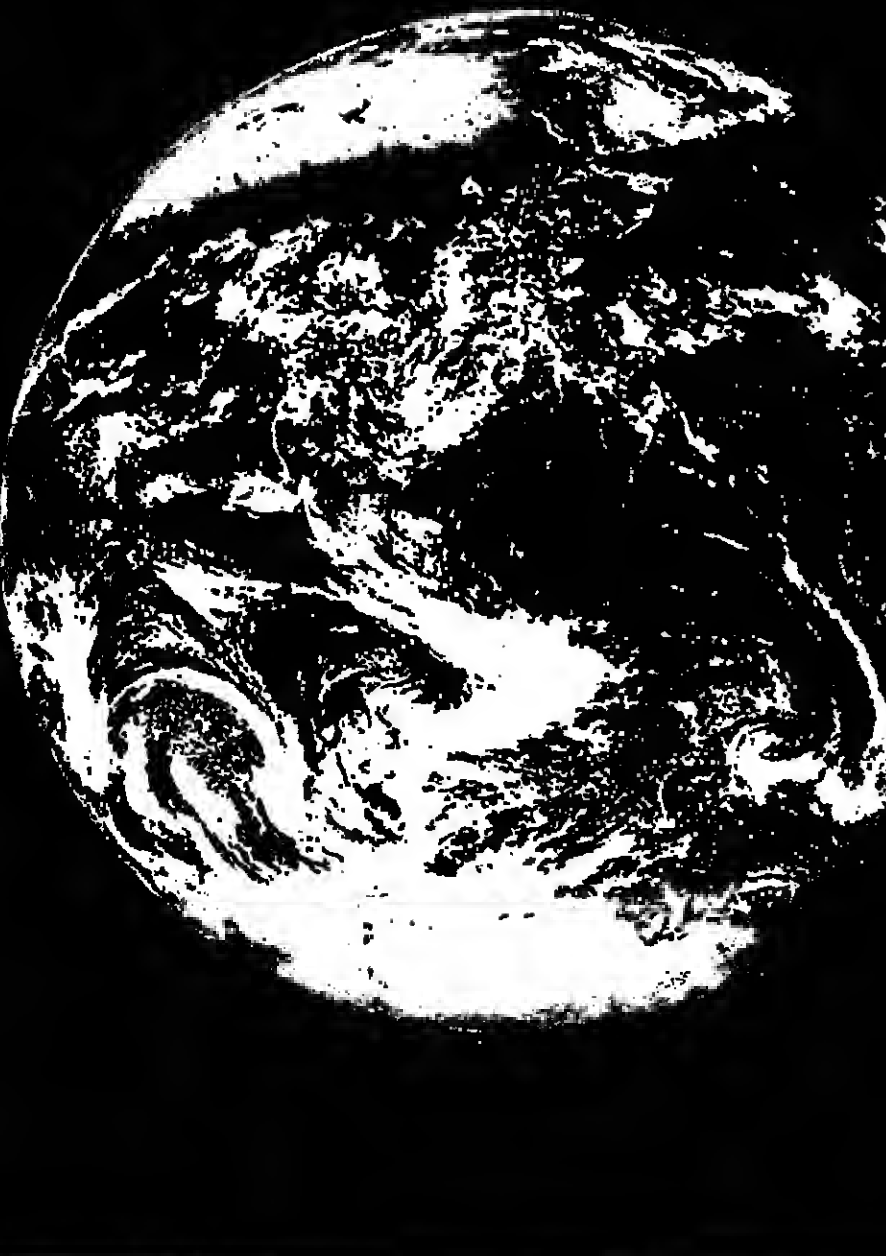
BY THE end of this year, the DGT expects to have launched some 1.6m French households and businesses into the electronic information era by providing them with inexpensive electronic terminals connected to a national computerised videotex service.

The project will give France the world's largest population of videotex users — British Telecom's similar Prestel service has only about 50,000 subscribers — and is a prime example of the DGT's bold use of public investment to create new markets.

The key lies in simple "minitel" terminals, made in volume by French electronics manufacturers and sold to the DGT for about FFrs 1,200 each. It supplies them free, in place of printed directories, to subscribers wishing to use them to tap into a computerised telephone directory, or rents them at FFrs 85 per month.

The DGT, which says it has launched some FFr 3bn in the project so far, calculates that a terminal will pay for itself

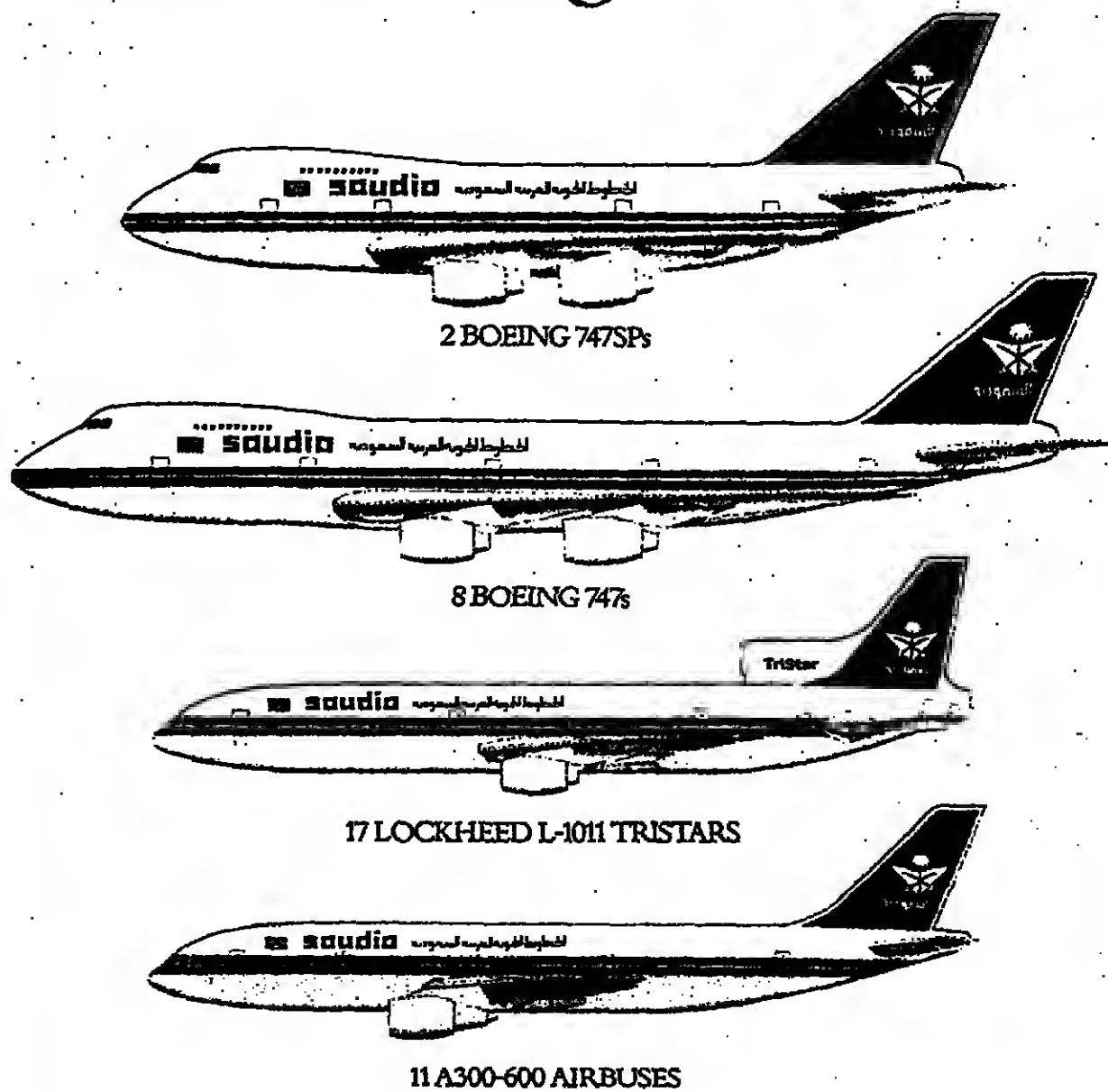
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TECHNOLOGY

EXPERT SYSTEMS GIVE ACCESS TO SPECIALIST SKILLS

How computers tap human knowledge

BY PETER MARSH

COMPUTER software that taps the knowledge of skilled people has given a small British company commercial success.

Expert Systems International of Oxford has sold about 25 adviser systems that can be run on microcomputers made by companies such as IBM and Apple. The software, which costs £800 for business organisations (schools and colleges get a £100 discount), has to be supplemented by information fed into it by the customer on a specialist subject.

Expert systems are relatively new. They are basically sets of programs designed to encapsulate the knowledge of a human expert. They have been developed over the past decade, mainly by researchers at academic establishments in the U.S. and Britain working in the area of artificial intelligence — the discipline of giving computers reasoning powers approaching those of humans.

Stanford University, Carnegie-Mellon University, Massachusetts Institute of Technology (MIT) in the U.S. and Edinburgh University in the UK are best known for this work.

In recent years companies have become interested in the commercial potential of expert systems. Such software, so their proponents argue, can provide valuable expertise, accessible to all via the keyboard and screen of a computer. The alternative, in some cases, would be to employ an army of human experts to be on hand to dispense knowledge and advice — a costly state of affairs.

Digital Equipment Corporation, DEC, has, for instance, installed expert systems to advise workers on the assembly of complicated computer parts. Schlumberger, the oil services multinational, is investigating expert systems that could help engineers to analyse results from seismic surveys that may indicate the presence of oil fields.

An expert system, devised by researchers at Pittsburgh University, dispenses advice on the diagnosis of diseases. Edinburgh University has worked on a similar system to provide information for engineers who maintain complex industrial hardware, such as oil platforms. Among the customers is the Central Computer and Telecommunications Agency (part of the UK Treasury) which, with the system aims to advise other



government departments on the most suitable computers for particular jobs. A computer expert will have to feed into the equipment details about the types and prices of computers.

With the "shell" of the software filled out with this extra information, a person relatively unaware of the intricacies of computers will be able to quiz the system to find the answers to particular questions. The adviser will also interrogate the user about the tasks to which the computer is to be put. By this question and answer procedure, the person using the software should be guided to a list of machines that will meet his requirements.

Wolverhampton metropolitan borough council has bought another set of software to assist its housing department. Officers in such parts of local government have to sift through applications for council housing from hundreds of individuals. To assist them, local authorities devise points systems, which assess the accommodation needs of a family according to its "score" in areas such as numbers of children and the condition of the flat or house in which it is currently residing.

The Wolverhampton authority plans to put into its expert system knowledge from an experienced official who is skilled at operating the points system. This will then be used by more junior staff in helping them to decide on the people

who are eligible for certain kinds of accommodation in the council's housing stock. In a further application, Praxis Systems, a software company in Bath, has compiled a register of the specialist skills of its employees. A person can quiz the software to find out the member of staff best suited to a particular job.

Other customers for the adviser software include the Central Electricity Generating Board, the UK Atomic Energy Authority, British Gas, the Manpower Services Commission, British Telecom and a microelectronics education project run by Paisley College in Scotland.

The adviser system is sold as two floppy disks plus a manual. On one disk is the knowledge-based "shell" to which the user has to add information on his chosen subject. The second disk contains examples of shells filled-out with specific data with which the customer can practice the art of communicating with an expert system.

Two of the examples are light-hearted in tone. They give advice on bread-making and how to play bridge. The others give more realistic illustrations of advice systems used in industry—they give information on the PAYE tax code, the conveyancing procedure used in buying property and the regulations on statutory sick pay.

The adviser system is the first of several similar sets of

software that Expert Systems International hopes to sell. Mr Alex Goodall, managing director, says that different "shell" systems would be needed for other kinds of applications—control and diagnosis for example.

Mr Goodall's company of 14 people is working on a new expert system aimed at helping banks and other financial institutions to unravel company accounts. This development, sponsored by the Government's Alvey programme on advanced computing, is shared with Heils Software, a company in London.

Expert Systems International bases most of its work on a computer language called Prolog. This is a language based on rules of the kind used by people in making logical deductions.

As a result, Prolog is suitable for expert systems—where operation is based on the reasoning steps that people employ in making decisions. Another language often employed by artificial intelligence researchers is LISP, which is particularly favoured by workers at MIT.

Just as the English language has different dialects—the language used by an Oxford don, for example, is quite different to that employed by a construction worker in Alabama—Prolog is divided into separate subsets. The type used by Expert Systems International is called Prolog-1, which is based on work by

researchers at Edinburgh University. The company plans to introduce a new language, Prolog-2, later this year.

Like the expert systems themselves, the languages are sold as sets of information stored magnetically on disks. With the languages, customers can fashion their own expert systems if that is what they require. Prolog-2 will sell for £2,000—five times more than Prolog-1.

The new "dialect" will permit customers to write programs that operate faster than those written in Prolog-1. Thus people will gain response to their questions to expert systems fashioned with the new language perhaps 10 times more quickly. Prolog-2 will harness up to 256m bytes of computer memory—2,000 times more than the upper limit for Prolog-1. Thus it should be able to support more complicated programs.

The Oxford company is not the only organisation that is working on expert systems based on Prolog. Quintus, of Palo Alto, California, sells its own version of the language, as does Logic Programming Associates, set up by researchers from London's Imperial College.

Expertech, a company in Slough, is using Prolog-1 for another expert-system "shell" that could have a variety of applications. One use under study is the generation of advice on sales and accountancy. The company says that a customer could find the system useful after spending anything between a couple of hours and a fortnight in adding to it specialist information.

Expertech, set up last year, is backed by £800,000 from Innotech, a venture-capital company. People working for it on a part-time basis include Professor Bob Kowalski of Imperial College and Dr John Fox of the Imperial Cancer Research Fund, who has developed an expert system to aid in the diagnosis of leukaemia.

Teknowledge, a Californian company formed by Stanford University researchers, is also using Prolog as the basis for its expert systems work. Perhaps the biggest seal of approval has come from researchers working for many projects in artificial intelligence for the country's fifth generation programme in advanced computing.

PROCESS PLANTS

Ways to audit factory safety

A SMALL company in Hull is offering the managers of automated factories a "safety audit" to reduce the chances of plant breakdown.

According to Mr Kevin Dyer, founder of the five-person Centre for Software Engineering, failures due to software faults in factory computers pose a serious threat to many types of industry.

The failures could result in anything between an irritating shutdown in production to an emergency on the scale of the disaster at Union Carbide's chemical plant in Bhopal.

Mr Dyer, who left the electronic-engineering research group at Hull University to start the company, says that production engineers are generally knowledgeable on assessing the safety of conventional automated plants.

In these, machines are controlled by hardwired links and logic circuits. But the more modern factory, in which software in computers supervises a myriad of different operations, poses a different problem.

Unless engineers understand the nature of software faults—and know what to do when one arises—they may be unable to handle an emergency. Breakdowns of this kind could occur in many types of plant, including nuclear power stations, chemical and engineering factories.

"The problem is beginning to be recognised by the more perceptive of chief engineers in companies," says Mr Dyer. He says his company has contracts to carry out safety checks on the software controlling manufacturing operations in several organisations. The Centre for

Software Engineering would assess the reliability of the programme and advise on safety measures.

Mr Dyer says his list of clients is strictly confidential. The companies would not want word to leak out that they may have a problem in their factory processes.

Co-founder of the Hull company, which started a year ago, is Dr Philip Bennett. He did a PhD with the Open University on the safety of software-based systems. The two men obtained development capital for the company from the British Technology Group. The enterprise, located at an innovation centre close to Hull University, specialises in three other areas of work:

● Design of robot sensors. The company is working in collaboration with researchers at the university, who have built up expertise in robots that can "see" and "touch." GEC has also worked with the university in this area.

● Software techniques to aid integrated-circuit design. The Centre for Software Engineering is attempting to improve on current methods by which semiconductor engineers produce circuit blueprints by computer-aided design.

● General developments in software. For instance, the company has developed a programme to help farmers assess the fertiliser requirements for their crops. Farmers around the country give the Hull enterprise details of their agricultural operations, such as the type of crop and any problems with its growth pattern. The company then advises on the use of fertilisers.

INFORMATION

View data and travel agents

LUNN POLY, a major UK travel agency, has just taken delivery of 360 Sony nine inch viewdata business terminals from Radio Rentals Contracts for use at the agency's 200 branches.

The terminals operate within Lunns Poly's private viewdata system for holiday information and booking

applications and can link to similar systems operated by such travel companies as Thomson, Horizon, Intasun and Sealink. The terminals can also access British Telecom's Prestel service.

Among the terminals' facilities are a 14 page memory; automatic dial and re-dial facilities and storage for six phone numbers of databases.

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Warehousing

Automated handling

A WAREHOUSE-to-truck load-handling system claimed to allow a 40-foot semi-trailer to be fully loaded in about 30 seconds is being launched by Package Control. This company has been manufacturing transport equipment at its Crowthorne, Berkshire, base since 1970.

The system is not cheap: Package Control indicates that adapting six loading bays and two semi-trailer bodies to it would cost in the region of £100,000. It says, however, that 18 months of pilot operation at the Martiniquais wine and spirits distribution centre in Paris has demonstrated cost savings of £58,000 a year. There have come through reduced manning and fewer pallet trucks and semi-trailers being needed, without taking into account indirect savings such as reduced damage to vehicles and goods.

The system has special tracks running the full length of the semi-trailer body and matching tracks recessed into warehouse bay floors. The channel section tracks house full-length inflatable air bags bearing plates which, when the air bags are inflated, are raised flush with the top of the tracks.

In operation, "trains" of rollers of a length suited to the load are positioned in the channels with the air bags deflated and the complete load for the vehicle built on them. When the vehicle for loading is aligned with the bay channels, the air bags are inflated and the entire load can be pushed in by a single fork lift.

To obtain maximum benefits from the system, the delivery point for goods should have the same system. However, the tracks in each vehicle are powered independently, so pallets can be rolled to the vehicle's lip manually with relatively little effort for unloading by fork lift.

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144	132	Ans. Bnt. Ind. Ord.	142	0.8	14.4
77	51	Ansprung Group	53	6.4	12.1
42	28	Armstrong & Rhodes	37	2.9	7.8
36	22	Bank of Montreal	136	3.1	10.8
36	42	Bell Technologies	46	3.9	7.3
201	170	CCIL Ordinary	180	12.0	13.8
100	80	CCIL 110c. Gen. Pref.	100	10.0	13.8
810	190	Carborundum Ord.	810	5.7	0.7
100	80	Carborundum 5 Sp. Pl.	96	5.0	12.0
100	45	Carrico Group	45	0.0	0.0
51	35	Deborah Securities	41	6.5	10.8
235	170	Frank Horvat P. Ord	225	9.5	14.1
32	25	Frederick Parker	34	4.3	13.3
50	27	Gen. Sec. Ind. Ord.	50	5.0	8.7
50	27	Ind. Precision Castings	26	2.7	9.8
124	105	James S. Jones	116	9.6	14.2
285	213	James Sweeney	277	4.9	4.7
152	100	John Howard and Co.	145	7.7	9.8
152	100	Longuepointe 10 Sp. Pr.	83	17.0	13.0
804	320	M-House Holdings	804	5.0	8.0
804	320	George Jenkins	804	3.8	0.5
80	28	Montaigne "A"	34	5.7	18.0
92	81	Torrey & Carmine	81	1.1	9.7
444	370	Treasury Holdings	370	2.0	21.0
27	17	Unitech Holdings	25	1.3	12.7
27	17	Water Manager	26	0.9	12.7
247	224	W. & D. Securities	224	4.4	9.7

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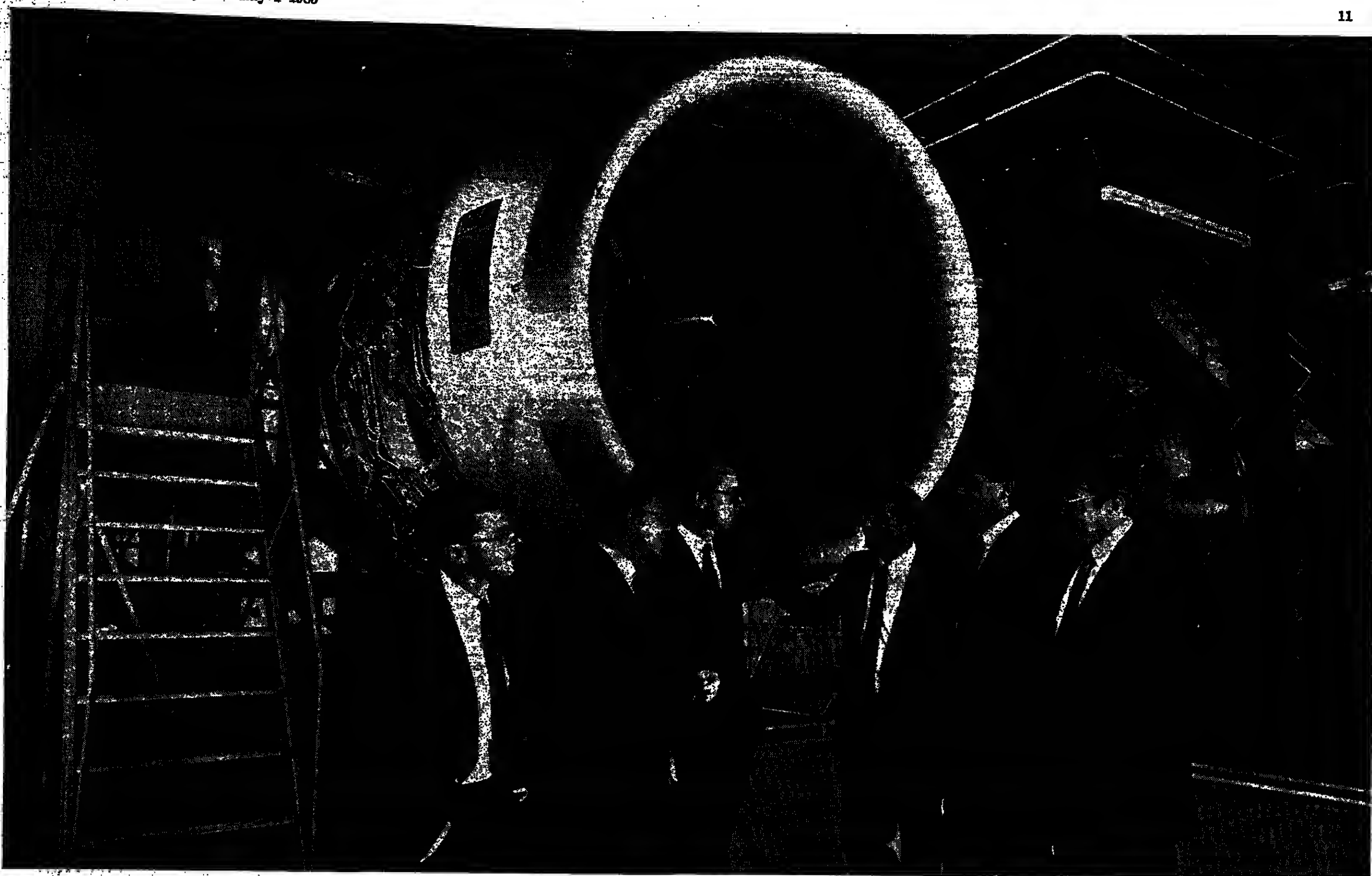
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TORIES REBEL AGAINST PLANS TO DEVELOP STANSTED

Airport policy runs into ground

BY PETER RIDDELL AND MICHAEL DONNE

THE GOVERNMENT is in serious difficulty over its airport policy after a midnight rebellion by 70 Conservative MPs damaged plans to develop Stansted in Essex as London's third international airport.

It now seems likely that the Government will reject a large-scale scheme to develop the airport at Stansted, about 50 miles north-east of London. A compromise seems probable.

In the largest backbench rebellion since the Conservatives came to power in 1979, MPs from all over Britain - including several ex-ministers - made clear at midnight on Wednesday their opposition to expanding Stansted to a capacity of 15m passengers a year. Stansted at present handles 500,000 passengers a year.

The Government's problem now is how to find enough capacity in London and the south-east of England to cope with expected growth to some 80m passengers a year by the early 1990s.

The plan, as outlined by Mr Graham Ayre, QC, the inspector at recent planning inquiries into airport development, was to develop

Stansted initially to 15m passengers a year. That, together with a planned 38m capacity at Heathrow, London, 23m at Gatwick (south of London) and 3m at Luton (north of London), was judged to be sufficient.

Any further expansion would have been met by building a fifth terminal at Heathrow, raising capacity there by a further 15m to 53m a year in the mid to late 1990s.

Mr Ayre's view was that for the end of the century and beyond, Stansted could have been raised to 25m, giving a further breathing space before airport capacity needed to be examined again.

The Commons vote has shattered those plans. Not only did the vote effectively kill the plan to develop Stansted, it also raised serious doubts about the possibility of developing a fifth terminal at Heathrow, because of the bitter parliamentary opposition.

The vote, on a procedural motion to adjourn the Commons, was 247-0 since the Government had instructed its ministers and its supporters not to vote. The ostensible reason for

this tactic was to avoid prejudicing its eventual decision.

A further option mooted by some MPs - development of a second runway at Gatwick to expand that airport's capacity beyond 25m passengers a year - was long ago ruled out.

Apart from a pledge given by the British Airports Authority (when terminal two was being planned there) that no such second runway would ever be built, any available land has already been used for the second terminal and the new cargo area.

A second runway would require an extension outside the existing airport boundary, leading to environmental objections. Room for political manoeuvre is severely limited. The Government could accept the MPs' arguments that it must give freer rein to the regional airports to develop their traffic as best they can.

This can be done in several ways. One is to remove the financial constraints that require local authorities to win government approval for spending on airports. This has been bitterly resented in the regions, es-

pecially at large airports such as Manchester and Birmingham.

Another is to abandon government objections to bids by foreign airlines to fly new routes from regional airports because they might damage the position of British Airways (BA) in advance of its privatisation.

Singapore Airlines, for example, was recently told it could only have a long-haul frequency out of Manchester if it gave up some of its rights at Heathrow. This was designed to protect the BA position on Heathrow-Singapore operations. This attitude is likely to change.

If an airline is willing to risk its money and energy on starting a regional air route, it is argued that it should be allowed to do so. BA has said it is not frightened of competition: it must now expect to meet it. Airlines, it is suggested, should be encouraged to develop services from regional airports. This may attract some traffic away from airports in London and the south-east, but it will not alter the fact that more runway and terminal capacity will be needed in the south-east by the end of this decade.

Government to start survey into ethnic origins of civil servants

THE COMMISSION for Racial Equality (CRE) and groups representing Britain's non-white communities have given an enthusiastic welcome to this week's announcement by the Government that it is to carry out a survey into the ethnic origins of the entire workforce of the Civil Service.

The survey is seen as a vital step towards identifying the serious employment problems faced by minorities. These problems were highlighted last year when the Department of Employment produced statistics to show that the jobless rate among blacks was running at twice the national average.

There was specific evidence of difficulties within the civil service. In 1983 pilot studies in the north-west of England and Avon, west of England, showed that only 4.8 out of 54,000 civil servants in the two areas were members of ethnic minorities. The non-white community of working age comprised about 2.8 per cent of the population, but fewer than 1 per cent of civil servants were black or Asian.

The surveys also showed that most of the non-whites who were employed worked in the lowest grades.

In industry there has been a recognition by some managements of the need to secure a fair allocation of jobs for minorities and a number of large companies have carried out monitoring for years.

The UK subsidiaries of US multinationals, such as Ford, Vauxhall and Esso, are obliged under US statute to monitor the ethnic origins of their employees. The result has been a balanced ethnic representation within their workforces, and little racial friction.

UK companies which have carried out monitoring include Marks & Spencer, Littlewoods, Woolworths and Rowntree-Mackintosh. Marks & Spencer has operated ethnic monitoring in its 284 stores in Britain since 1974 and is satisfied that the practice has helped to secure a balanced workforce.

WALTER ELLIS reports on an initiative intended to combat employment discrimination against non-whites

Forms are distributed to each of its stores and the information is assessed at the company's headquarters. Store managers are told that they must be aware of the balance of the population in their area and recruitment takes account of this. No problems have ensued.

Massey Ferguson, the Canadian-owned tractor manufacturer, ignored ethnic monitoring at its Coventry plant in the English Midlands until it was pointed out by the CRE that its 5,000 workers, only seven were black - in a region where 10 per cent of the population is black.

Mr Charles Dunnington, the CRE's head of information, said: "We don't believe for one moment that the company had any intention to discriminate. Around 80 per cent of its markets are in the Third World. It was just an example of how word of mouth recruitment - recommendations by existing workers and foremen - can perpetuate the ethnic makeup of a workforce."

Massey was shocked by the evidence produced and has undertaken to try to resolve the situation. Parliament first turned its attention seriously to the problem of minorities in industry in 1983, when it approved the CRE's code of practice on race and employment.

The central recommendation was that employers should find out what was happening inside their own companies, with ethnic monitoring as the preferred instrument. The code does not change the law, but industrial tribunals have been instructed to take company attitudes towards it into account when dealing with allegations of discrimination.

So far no tribunal has considered observance of the code a criminal matter. The CRE is waiting for a case to establish a precedent in law. Ethnic minorities have com-

plained of difficulties in the Civil Service for years. They are angered by their lack of representation in the middle and higher grades. The pilot studies in the North west and Avon revealed, for example, that there were no non-whites in the Cabinet Office and Energy Department, and only 12 in the 4,000-strong Home Office.

Mr William Trent, chairman of the West Indian Standing Conference, a leading representative body, said that while he warmly welcomed the Government's move, it was not a result in itself, only a beginning.

"Black civil servants find it difficult to cope in terms of their prospects for promotion. In fact, there's a non-existent opportunity for promotion. We have had a lot of complaints and we hope this will now start to change."

Mr Barney Hayhoe, the Civil Service Minister, told parliament on Monday the Government wished to give further encouragement to people from ethnic minorities to apply for posts in the Civil Service.

The survey, based on the two pilot studies, will be carried out in the next three years, with separate arrangements for industrial staff.

The first stage of the programme will cover non-industrial staff in the East and West Midlands. All entrants to the Civil Service will also be covered as soon as possible and consideration will be given to further monitoring and recruitment schemes.

London, the South east and East Anglia are scheduled to be surveyed by the end of next year, the North by June 1987, and Wales and other areas by 1988.

Mr Dunnington, of the CRE, feels that the importance of the Civil Service survey cannot be overstated. "Mr Dunnington is aware of the fears of some moderates that racial information might be abused by, for example, the extreme right-wing political party the National Front. For that reason he wished individual data to be protected."

CAP staff buys 37% stake in company

By Jason Crisp

MORE THAN 900 of the 1,200 management and staff of CAP, one of Britain's leading computer software companies, bought out the 37 per cent stake in the company held by the British Technology Group yesterday.

The option to buy shares proved so popular that it was oversubscribed nearly twice over. Present and former employees now own nearly 70 per cent of the ordinary shares. Mr Barney Gibbons, chairman of CAP, said: "I am delighted at the very high level of staff interest in buying shares in the company."

CAP is likely to seek a public share quotation in July this year. A number of software companies have floated their shares in the past two years including Logica, Micro Focus and System Designers, which yesterday launched a £27m rights issue.

Last year CAP made a pre-tax profit of £1.3m on a turnover of £26m. Although the present financial year does not end until April 30, the company is expecting to increase both by at least 30 per cent.

Acorn Computers, the home computer company which makes the BBC Micro has dropped 11 of its 17 distributors in an attempt to improve efficiency and margins in the trade.

The six largest distributors will now supply all the independent dealers, which account for about half of Acorn's UK business. The 11 which have been dropped in the shake-up will continue to sell the products in their own dealerships.

The company also announced that it had signed up new orders worth £5.2m from the six distributors. The company claims that this is double what it would have expected to take in January.

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11

more than the ernment's ed list.

A black and white photograph of a piggy bank, likely a ceramic one, with a hand resting on its back. The piggy bank has a simple face with closed eyes and a starburst pattern on its side. The hand is dark-skinned and has its fingers slightly spread. The background is plain white.

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nd child-
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only to those who can
afford to pay privately.
It is not just NHS
care and the freedom
of British doctors that these pro-

Now, in order to cut public spending, the government plans to limit the range of medicines available on the NHS. Many valuable treatments would, if the government's plan is accepted, be available

Help us to fight against the cancers, the virus infections, the mental illnesses and the types of arthritis for which no cure yet exists. Write to your MP and oppose the government's 'limited list' attack on British medicines.

The logo of the American Bar Association (ABA) is a black and white graphic. It features a hexagon with a thick black border. Inside the hexagon, the letters "abpi" are written in a bold, lowercase, sans-serif font. The letters are slightly shadowed, giving them a three-dimensional appearance as if they are floating within the hexagon. To the right of the hexagon, the letters "att" are partially visible, and below it, the letters "Th" are also partially visible.

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THE ARTS

Patrick O'Connell and the late James Mason in *The Shooting Party*

Cinema/Nigel Andrews

Slightly dead birds

The Shooting Party directed by Alan Bridges
Blood Simple directed by Joel Coen
A Midsummer Night's Dream directed by Celestino Coronado
Teachers directed by Arthur Hiller

The Shooting Party is impeccable, decorous and ever so slightly dead. As the stormclouds gather before World War I, the landed gentry gather at Nettleby Hall, home of Sir James Mason and Lady Dorothy Tutin, for a weekend house-party and bird-shoot in which they will rehearse—though they do not know it yet—the breakup of the old order and the breakdown of Edwardian England. Tensions will break out; a man will be accidentally shot; and the screen will be full of plummy English thespians trapped in what some times seems like a comatose British version of *Le Règle du Jeu*.

Disappointment is the greater because *The Shooting Party*, directed by Alan Bridges from Julian Bond's adaptation of the novel by Isak Dinesen, could—and should—have been so much better. Marooned in a wistful, vapoury rural England, where the last vestiges of Victorianism are about to be put to flight by the high noon of the 20th century, this Chekhovian coven of characters with their frets, quarrels, comedy and sadness needed a sardonic wit and a hold imaginative compassion to bring them to life. But the film has neither: it is like a BBC costume serial where everyone is on genteel and exquisitely dressed autopilot. We fit from room to room; eavesdropping now on Mason's serene and cracker-barrel melancholy as our host, now on Robert Hardy and Judi Bowker as a pair of May-December marrieds threatened with (her) infidelity, now on Cheryl Campbell swooningly canoeing with her Jewish banker lover (Aharon Ipale) while stoic husband Edward Fox tinkles the ivory downstairs. As the characters are perfunctorily stacked up in their stately home, the film becomes more and more like an Agatha

Christie thriller without a murder. I kept waiting for someone to be punctured with a sharp instrument, and for the summons to go out for a famous Belgian detective. Director Bridges never varies the graceful, rapid rhythm, and the only actors to shake some life into the film are the two most unshakably eccentric: hissing Edward Fox with his extraordinary rictus-jawed drawl (as if he was born with a silver spoon in his mouth) and still trying to dislodge it) and a scaphoidally bawdy John Gielgud as an animal rights protester. "Will they he out tomorrow for their purposes of massacre?" quavers Sir John of a passing serf as he carries through the wood his tattered banner inscribed "Thou shalt not kill."

Elsewhere the film has precious little sense of comedy, and its sense of tragedy—the tragedy of a passing epoch—has a glutinous self-consciousness. The "well-made play" used to be a byword for an evening's ossification in the West End. This is the "well-made film": a movie where a genteel structure, neat performances and a tidy message are never disturbed by anything so crude as vitality, originality or signs of human life.

Joel Coen's *Blood Simple* has all three in abundance. It is like a Dashiell Hammett story filmed through a rainbow, the most exciting movie thriller of the 1980s where the plot is a tiny knot of ingenuity refracted through a prism of visual glam: Tournour's *Built My Gun*, Hitchcock's *Vertigo* or *De Palma's Dressed To Kill*. It is the filmic equivalent of a theme-and-variations piece of music.

On paper *Blood Simple* is a modest little whiplash murder puzzle about a Texas bar-owner (Dan Hedaya, a dark-jawed Nixon lookalike) who hires a private eye to kill his unfaithful wife and her lover and discovers he's the one looking down a gun-barrel as the private eye changes sides. But as the plot high-tails into twist after twist—murder plans go wrong, "dead" men return, red-herring clues litter the landscape—it is not only the mathematics of narrative that

mesmerises us but the joyous baroque cynicism with which Coen and his brother Ethan (co-writer and producer) plaster it all up on the screen. This is a twangy-vowelled underbrush America where everyone moves about like a scorpion, politely circling rivals or enemies until the moment comes to strike. The husband, nursing his jealousy in a saloon-bar office awash with the flicker of red neon, does not trust the detective. The detective is magnificently repulsive in M. Emmet Walsh's performance, a piglet-eyed fatso with ingratiating whine and a sleazy smirk for all seasons. He does not trust the husband. Even the adulterers—the (John Getz) monosyllabic, she (Frances McDormand) dimly glib—seem to have bolted their romance on the shakiest foundations.

"When he don't say things they're usually nasty," she tells her lover about her husband. When you don't say things they're usually nice." This brand of loon logic colours the whole film, giving it a wash of innocent evil, of Malice in Wonderland. Coen rhymes scenes with the cunning of a poet rather than a plotter. In one sequence we cut between three different characters each lying awake in a different room thinking different thoughts. Isolated shots stand out like lightning bolts in the rumbling storm of foul play: a slow-motion newspaper hurled towards a porch looks like Kubrick's bone logic 2001, a view of approaching car lights smeared by rain has a holocaust menace. And in the grand outburst of grand guignol—an attempted burial in which the corpse turns out to be alive, a murderous chase in a darkened flat featuring knife-impaled hand and fist crashing through wall—the audience catches its breath somewhere between nervous laughter and incredulous horror.

Coen clearly loves cinema and its possibilities. And on this evidence the possibilities in his hands are considerable. It's not enough, of course, for a film-maker just to love cinema. Cinema has to love him back. Celestino Coronado's *A Mid-*

summer Night's Dream suggests it is a wholly one-sided relationship for C.C. at present. This Spanish-horn Royal College of Art graduate directed a version of *Hamlet* eight years ago which was semi-demented but fun, even if it was like a madhouse night's gay panto, as it hurled Shakespeare's lovers, fairies and mechanicals into a studio forest where they skip the light fantastic in endless dances and fey gamblings and mostly skip the Bard's dialogue, too.

Titanias in the Incredible Orlando in falsetto voice and flight wig, pack is a bat-eared Lindsay Kemp (nude) and Bottom is mystifyingly transformed not into an ass but what looked to me like an over-exaggerated French loaf sticking out of a bouquet of sprouts. For adults only (of Corrado not Shakespeare).

Those who can, teach. Those who can't, make films like *Teachers*. In this scholastic soap opera Nick Holte plays the life, soul and conscience of J. F. Kennedy High, where teachers are in distress, the students are revolting and the courts are bearing down on the school for giving an illiterate pupil a diploma. Will Nollie, with his golden locks punched in hruiser's face and dredged-up rasp of a voice, be bale to Galahad his way to the rescue? Will lawyer JoBeth Williams fall in love with him? Will vice-principal Jude Hirsch be able to deal with all this, and also with escaped mental patient Richard Mulligan who is posing as a substitute teacher?

This is like no school you have ever attended; not because it is an American school, but because it is a Hollywood school. "All human life is here," not in the name of realism but of box-office saturation. If you do not laugh, you will cry, the makers hope, and if you do not cry, at least you will have a take-away message or two. The message of this writer is, however, save your emotions for a film less anxious to milk them. W. R. McKinney wrote the screenplay, Arthur Hiller directed.

Arts Week

F S Su M Tu W Th 1 2 3 4 5 6 7

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: *The Magic Flute*, sung in Italian, features Yoko Nomura, Helga Wisniewsky and Lemus Carlson. (34.30.1).

Hamburg, Staatsoper: This week's only opera performance of *Madama Butterfly* with the normally outstanding Raina Kabaivanska as Cho-Cho-San. (83.15.1).

Frankfurt, Opera: *Tosca* has Maria Slatkova in the title role and Giorgio Lamberti making his Frankfurt debut as Cavaradossi. This will be conducted by Michael Laig for the first time. The new production of *Falstaff* is produced by Christof Nol. Louis Quilico appears in the title role. *Don Giovanni* has a new cast, with Elizabeth Parcella and Christoph Pregardien in the main parts. (25.02.1).

Cologne, Opera: The highly-acclaimed production of *Die Walküre*, by Harry Kupfer, is very good with Helga Dernesch, Delores Ziegler and Matthias Höle. (20.70.1).

ITALY

Milan, Teatro alla Scala: *The Barber of Seville* conducted by Piotr Wollay with Martha Senn, Marta Taddei and Paolo Bonolis. (80.12.0).

Rome, Teatro dell'Opera: *Handel's Giulio Cesare* conducted by Gabriele Ferro and directed by Alberto Fassini. The scenery by Anne and Patrick Poirier and in the cast are Margarita Zimmernann, Claudio Dondari, and Bernadette Manca di Nissa. (46.17.55).

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is very startling and choreographically felicitous, but classic only in the sense of a rather staid and overblown idea of theatricality. (23.02.02).

42nd Street (Majestic): An immediate celebration of the history of Broadway in the 1940s incorporates songs from the original film like *Shuffle Off to Buffalo* with the appropriately beach and leggy hoots by a large chorus line. (77.02.02).

Touch, Sense, Trust (Eggs): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histories in between, down to the connection with his dying Jewish mother. (94.04.50).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a standard Broadway presence despite the failure of its first incarnation. A 1960s female pop group, a la Supremes, without the quality of their music. (26.02.00).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blackmore's brilliant direction of backstage chaos is a key factor. (88.02.00).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollercoasting jolly has 16 minutes of Spiesberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. *Disenchantment*, *Star Wars* and *Cats* are all influenced by the same source: towards rock, country and hot gospel. No child is known to have asked for his money back. (84.01.04).

On Your Toes (Palace): Rodgers and Hammerstein's 1940s musical is a genuine tonic. American jazz dance comes with the Ballets Russes. Genuis in-

duced *There's a Small Hotel*, Glad to be Unhappy and *Balanchine* ballet for *Slaughter on Tenth Avenue*. (37.02.04).

42nd Street (Drury Lane): No British equivalent has been found for New York's *42nd Street*, but David Harrow's *42nd Street* has been rapturously received. American *Clare Leach* is a real find as Peggy Sawyer, and Margaret Courtney has a heady day (88.01.05).

Mother Courage (Barbican): Fine RSC production of the history of *Barbican* by John Napier and David Hersey—*With Just Ditch* as a seavoying, music hall and finally moving *Courage* pushing her elaborate cart stage machinery through the *Howells*, *Leaver*, *Frank*, *Dorcas*, *Good*, *Stephen* Moore and *Zoe* Wainman. (82.07.35).

Two Lads (Gaiety): Dougal Kay, Tony Church and John Heston in a cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An late manager, Lionel Jeffries, declares: "There's far too much going on in this house and I'm not having any of it." Not to be missed. (37.03.00).

West (The Pit): Riveting RSC revival directed by John Barton of *Granville* by the French Academy of art about a politician destroyed by an adulterous liaison leading to an abortion, a death and a suicide. Daniel Massey, Judi Dench, Charles Dancy, and Mark Dymally in a stellar cast. (82.07.35).

Coriolanus (Olivier): Peter Hall's best production to date at the National, Ian McKellen a splendidly historic figure of war, thrilling use of the Olivier's sense of scale, and *Coriolanus* North never better as Voltemus. In all, a thoroughly lucid exposition of a great and complex play with an NT company that for once resembles a real one. (92.02.00).

The Elmer Fudd (Astrak): Worthwhile new musical of Cumbrian agricultural and war-time life, based on a novel by Malvern Briggs. Persuasive music, marvellous choreography, composed by Howard Goodall, with a high standard of singing and musical direction. Lyrics and book less secure. (73.02.07).

WASHINGTON

The Marriage of Figaro (Folger): The company's own adaptation of the Beaumarchais script will also use Mozart's music and a new libretto in an ambitious setting produced, Ends March 10, (84.02.00).

Royal Shakespeare Company (Opera House): With Broadway enthusiasm with the finale conducted by of Much Ado About Nothing and *Cymbeline* by the company's own *Shakespeare* and *Derek Jacobi* are bound to have a successful Washington run as scheduled until Feb 17, Kennedy Center. (82.07.70).

Mass & Superman (Arena): Douglas C. Wager directs Shaw's intellectual tour of London, Spain and Hell itself, with the inclusion of the *Don Juan* in Hell scene, in a production starring the nimble Francois de la Giroday as John Tanner. Ends Feb 17 (48.03.00).

CHICAGO

Adventures of Huckleberry Finn (Woodward): Stuart Gordon directs the Organic Theatre Company's revival of its 1975 local hit to commemorate the 150th anniversary of Mark Twain's birth. Ends Mar 3. (43.02.00).

TOKYO

Westside Waltz, the Japanese version of the Broadway hit directed by Yoru Emori, starring Haruko Sugimura, a joint production by Shochiku and Bungei-za companies. Sunshin Theatre, Shibuya. (87.02.01).

ITALY

Naples: Museo di Capodimonte: *Naples in the 17th Century*: for lovers of Baroque art, an excellent exhibition of paintings, marbles, silver and furniture dating from a period when the city was the second in Europe after Paris. Ends April 14.

Venice: Museo Correr (Ala Napoleonica): An important exhibition of neglected projects for Venice, including Palladio and La Corbuser, and some less so but all of interest. Until Feb 10.

Torino: at the Lingotto: German art between the 18th and the 20th centuries: paintings, engravings and sculpture, among them works by Dürer and Holbein. Ends Feb 10.

WEST GERMANY

Hannover, Forum des Landesmuseums, 8 Am Markt: Berlin Art between 1770 and 1930 has 200 bronze, gypsum, ceramic and china sculptures by artists ranging from Gottfried Schadow to Georg Kolbe. Ends Feb 17.

Bremen, Kunsthalle, 207 Am Wall: Writings from the 16th century including Albrecht Dürer, Eugene Delacroix and Emil Nolde. Ends Feb 24.

Nuremberg, Germanisches Nationalmuseum: Masterpieces of the 20th Century, from the private collection of the German industrialist Thyssen-Bornemisza, Manet, Gauguin, Bonnard, Mondrian, Picasso, Van Gogh, Schwitters, as well as Russian constructivists. Ends March 24.

Düsseldorf, Stadtmuseum, Backertstr. 74: A land at the Centre of Power: 800 paintings and documents covering the cultural history of the "Herszogtum" (duchy) and its main centres: Jülich, Cleve and Berg. Ends Feb 24.

Düsseldorf, Kunstpalast, Ehrenhof 4: The British sculptor Anthony Caro, 60, who once assisted Henry Moore, exhibits his scrap metal sculptures. The 40 works include all his attempts with scrap since 1959. Düsseldorf will be the only German venue. Ends March 3.

LONDON

The Royal Academy: Marc Chagall—a full retrospective organized by the academy in association with the Philadelphia Museum of Art, to which it travels later in the year) of the work of one of the most popular

masters of modernism, still at work in his 89th year and last survivor of the artists' Paris of its great period before the first world war. Chagall, for all his popularity, has remained an enigmatic and idiosyncratic and independent and hard to categorize. We now see, however, that he has always been a good artist, and at times, most notably in his first time in Paris after 1910, a great one. The work of his extreme old age, moreover, does him more than credit, representing no falling off in his technical command or his imaginative authority, but simply a restatement of the poetic images and ideas that have always haunted him and he has made his own—the soaring and floating lovers, the clowns and musicians, the flowers and trees, and that strange, colourful domestic bestiary of cocks and hens, goats, cows and asses.

NETHERLANDS

Amsterdam, Stedelijk Museum, La Grande Parade (named after the painting by *Lager*) is a feast of highlights in international painting after 1940. Forty artists are represented with 250 works loaned from all over the world. The show is designed as an encounter between the late artists of the post-war period and the great masters of the 19th century. The exhibition follows Degas's principle that preparatory drawings should be shown with the finished work. This has been done here with three remarkable paintings: the portrait of the Bellelli family (with its echoes of *Piero della Francesca*). The works cover the period 1850-60. Ends Feb 10.

LONDON

The Royal Academy: Marc Chagall—a full retrospective organized by the academy in association with the Philadelphia Museum of Art, to which it travels later in the year) of the work of one of the most popular

PARIS

The Academy of St Martin-in-the-Fields, with Kenneth Sillito as conductor and violinist: Handel, Albinoni, Bach, Vivaldi, Monty. TMPT. Chabrier (83.04.04).

Orchestre Colonne conducted by Mantonio Valdes with Alicia de Larrocha, Guy Deplus, clarinet, Mozart, Chopin, Tchaikovsky (Mon). Salle Pleyel (83.07.37).

Ensemble Orchestral de Paris conducted by Jean-Pierre Wallat, Anthony Rolfe-Johnson, Jean-François, piano: Britten, Francaix (Mon). Théâtre du Rond-Point (26.07.00).

Orchestre National de France conducted by Lorin Maazel, Nelson Freire, piano: Falla, Albeniz (Tue, Wed). Théâtre des Champs Elysees (72.07.77).

BRUSSELS

Bach organ recital, Church of Notre Dame du Bonheur (Mon).

Musée Instrumentale: Arne Frobenius, harpsichord, and Emmanuel and Jean Paul Pirard, flute. Quanz, Bach, C.P.E. Bach and Frédéric the Great (Wed). (51.13.00).

Collegium Aureum, Bach, Palais des Beaux Arts (Wed). (52.20.45).

Liège Symphony Orchestra conducted by the conductor, Tchaikovsky, Liszt, Elgar, piano, Mozart and Mahler (Thur).

ITALY

Rome, Auditorio di Via della Conciliazione: The soprano, Karan Armstrong, Nono, Schoenberg and Beethoven, conducted by Giuseppe Sinopoli (Mon, Tue). (55.01.04).

Rome, Teatro Comunale: Chopin, soprano Zora Jelicichova and the pianist Ivan Moravec (Wed). (53.03.04).

Oratorio del Gonfalone (Vicolo della Scimia 1/B): The Harpsichordist Lucy Shen playing three J.S. Bach partitas (Thur). (65.05.05).

NETHERLANDS

Utrecht, Concertgebouw Vredenburg: The Concertgebouw Chamber Orchestra: Vivaldi, with Jaap van Zweden, violin, and Berden Stenberg, flute (Tue); Utrecht Symphony Orchestra conducted by Jan Krenz, with the Concertgebouw Chamber Orchestra: Haydn (Wed); Recital Hall: Jean-Louis Steverman, piano, Bach (Tue); Borodin Quartet, Borodin, Stravinsky, Tchaikovsky (Wed); Turbilo Santos, guitar, Sanz, Albeniz, Mendelssohn, Bach (Thur). (51.55.44).

VIENNA

Royal Swedish Chamber Orchestra, conducted by Leonard Slatkine, Bach, Vivaldi, Scarlatti and Shostakovich, Musikverein (Mon).

Alban Berg Quartet: Mozart, Haydn, Schubert and Schumann, Konzerthaus, Mozart Saal (Tue). (72.12.11).

Piano recital: Wolfgang Czerny, Gied, Chopin, Schumann, Ravel and Dutilleul, Palais Palfy (Wed). (52.56.51).

Festival Concert: Ensemble Harmonia Nova, Blagovest, Sokolov, Holik and Bednarik, Ursula (Thur).

NEW YORK

New York Philharmonic (Avery Fisher): Zubin Mehta conducting: Eva Marton, soprano; Peter Hofmann, tenor; Martin Tischer, bass; Wagner: *Die Walküre* Act 1 (Tue); Zubin Mehta conducting: Jessye Norman, soprano, Mozart, Berg (Thur), Lincoln Center (61.42.42).

WASHINGTON

National Symphony (Concert Hall): Mikhail Rostropovich conducting: Matt Salminen, bass, Oratorio Society of Washington directed by Robert Shuler. Shostakovich (Tue); Erik Leinsdorf conducting, Bach, Bruckner (Thur), Kennedy Center (23.07.00).

TOKYO

Erle Holdstock, piano, Bach, Beethoven, Chopin, Faure, Liszt, Tokyo Bunka Kaikan Recital Hall. (Mon). (48.02.59).

LONDON

Royal Festival Hall: London Philharmonic Orchestra, conducted by Klaus Tennstedt with Alfred Brendel, piano, Beethoven and Bruckner (Tue). (28.03.01).

CHICAGO

Art Institute: 32 great architectural drawings cover the last five centuries in this show lent by the Royal Institute of British Architects. Ends Mar 31.

TOKYO

National Museum of American Art: 49 works by five 18th century artists highlight a show of a little-known area of American art. It re-unites the work of Joshua Johnson, the first painter of black Americans; portrait painter; Henry Ossawa Tanner, a student of Thomas Eakins and neo-classical sculptress Edmonia Lewis. Ends April 7.

Great Kabuki Artists in Ukiyo-E: This exhibition marks the Kabuki convention of awarding exceptional actors with names of old honour. Only 12 actors in the last 300 years have merited the title Danjuro. To celebrate the forthcoming accession of Ichikawa to the title Danjuro XII, these paintings of previous incarnations show not only the significance of the title but the close ties between Kabuki and art even today. Riccar Art Museum, Ginza, Ends Feb 24.

Noh Masks and Costumes: 20 Noh masks and 16 exquisite costumes attest to the grandeur and power of this 700-year-old theatre form. Okura Shokunin Museum, at Hotel Okura, Ends Feb 24.

Pre-Napoleonic and the Age of 70: works of Rossetti, Burne-Jones, Millais and others, mainly from the Forbes Magazine collection. This first-ever exhibition of Pre-Raphaelites in Japan reflects the growing interest in Japan in British Art. Iseian Department Store, Shinjuku, Ends Feb 24.

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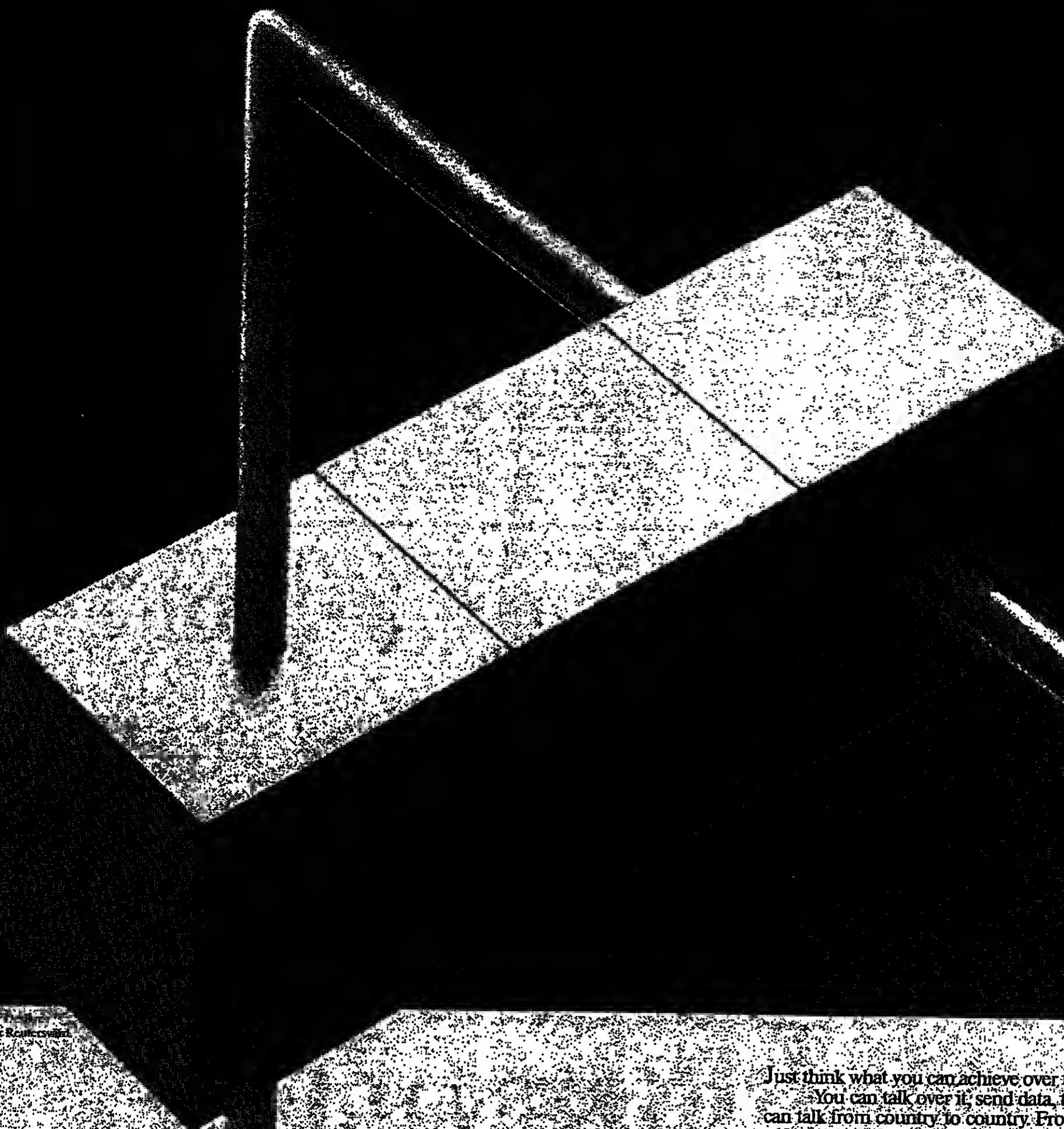
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FINANCIAL TIMES

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Friday February 1 1985

Obstacles to CAP reform

THE FARM price proposals unveiled in Brussels on Monday are a welcome statement that the new European Commission headed by Jacques Delors intends to persevere with the strategy for reforming the common Agricultural Policy laid down by its predecessor over the last three years.

Indeed, given soaring costs, growing surpluses and the Commission's exiguous budgetary resources, the Commission has no other option but to plug away at trying to get a grip on the CAP. This Commission needs to display rather more consistent determination than the last one in requiring member governments to align Community prices closer to world levels and to limit further the guarantees to purchase surplus quantities of the main products.

Mr Frans Andriessen, the new Agriculture Commissioner and a former Dutch finance minister, confidently deployed forecasts that his 0.3 per cent average price cut in Ecu terms should add a mere 188m Ecu to total CAP costs approaching 20bn Ecu this year. He even anticipates a cost reduction of 34m Ecu in 1986.

In the past such projections have offered no real guide to actual budgetary outlays. Despite last year's "prudent" price rises, CAP spending climbed by nearly 16 per cent in 1984 and it could well be heading towards the 25 per cent a year growth of the period between 1973 and 1978. At the same time, the EEC's self-sufficiency rates are hitting new records.

Productivity

Though last year's price settlement made a small dent in the super levy on milk, it seems that governments are still extremely reluctant to face up to the realities of modern agriculture.

Technological revolution is producing farming equivalents of the micro-chip—artificial feedstuffs which stimulate a cow to four or five times the milk production of a generation ago, fertilisers which make hitherto marginal land a veritable Garden of Eden for arable farming and new techniques which are transforming efficiencies.

In this context of surging productivity, the 1982 decision to raise average prices by 10.4 per cent was prodigious and irresponsible, the 4.2 per cent of 1983 appears generous in the extreme and last year's 0.5 per cent cut in Ecu prices a belated recognition of reality which ministers accepted at

Penalties for directors

THE House of Lords has recently been winning a reputation for championing sensible measures. On Tuesday, however, the upper house blotted its copybook by acting, consciously or unconsciously, as a directors' lobby. On the flimsy pretence that the Government was flouting a fundamental precept of English justice—that the accused is innocent until proved guilty—it rejected the clause in the Government's Insolvency Bill which stipulates that directors of companies which are compulsorily wound up should face automatic disqualification.

The question of guilt or innocence is a smokescreen for Lord Lucas argued for the Government on Tuesday, the courts are dealing here not with a criminal charge but with the fitness of a director to manage a company. What the upper house finds so objectionable is that directors may, in future, face a penalty for sheer incompetence as opposed to fraudulent dealing. It does not contravene natural justice to argue that when directors allow the financial difficulties of their companies to multiply to the point where creditors are obliged to seek a winding-up order, there is a *prima facie* case of unfitness.

Liquidation

When a company is compulsorily wound up the directors have, in effect, been trading on creditors' money. The onus should be on the directors to satisfy a court that the prime cause of the company's failure is not a charge of guilt, does not stand up, it is not as though the present criteria for relief are particularly onerous. A director can protect himself against future disqualification simply by advising his fellow directors in the months running up to a winding-up order that the company should do something—seek a voluntary liquidation or appoint an "administrator," who would be able to manage the company's affairs with the protection of a 12 months moratorium on debts.

The logic behind automatic disqualification is sound: directors must be given a much greater incentive to take early and positive action to prevent

the boyonnet point of the Community's budget ceiling.

Unhappily for the CAP, the tradition of political trading and of extravagant pandering to domestic lobbies has not just been confined to the annual budget negotiations. All capitals have been indulging in a variety of national payments which tend in one way or another to blunt or distort attempts at community level to control costs and production.

Quite apart from making a difficult problem worse, all such attempts to shelter farmers from market and production disciplines undermine the integrity of Community agreements. Perhaps the most worrying example is the way in which political second thoughts are blocking the proper application of the super levy with the result that the cut in production by this April may be no more than 1 per cent instead of the 4.2 per cent that was being sought.

Mr Andriessen's proposals offer governments a fresh opportunity to provide more consistent and determined proof that their concern to remedy the CAP is not just rhetorical.

He is right to identify price discipline as the vehicle most likely to achieve a better medium-term balance between supply and demand. Yet it would have been preferable to restore the integrity of the guarantee threshold contract with the 5 per cent cut which this year's 148m tonne harvest would have justified, instead of 3.6 per cent.

During the coming negotiations, the vehicle most likely to be tempted to temper the Commission's approach with an excess of generosity.

But this year there is a new procedural ingredient in the negotiations, requiring finance ministers to endorse any agreement between their agricultural colleagues which might cost more than the Commission's proposals. Ultimately, it falls to the finance ministers to ensure that over a three-year period farm spending does not rise more quickly than the customs duties, levies and VAT payments member states transfer to the Community budget.

If this exercise proves a failure at the first attempt, the Community's credibility at home and abroad will be seriously damaged and all hope of gradual CAP reform seriously weakened. Government cannot afford to take that risk.

the collapse of their company. Directors who do take the sensible steps laid out in the Bill will nevertheless find themselves in a position facing disqualification. At present, the privilege of limited liability is being widely abused because most of the penalties of inaction fall not on directors but on the company and other creditors, employees and shareholders.

A system of automatic disqualification would have certain virtues: it would be certain, simple and swift. Every director would understand the consequences of inaction. Long drawn out court hearings would be inevitable during which innocent trade creditors might go out of business.

Disqualification

The automatic disqualification proposal has been unpopular since it was first unveiled by the Government last spring. As a result of intensive lobbying by the Institute of Directors and others, the proposal was already substantially modified before the publication of the Insolvency Bill in December. The Government agreed, for example, to a three months interval during which directors could appeal against provisional disqualification. Despite its setback in the Lords and the prospect of further pressure from backbench Tories when the Bill reaches the Commons, the Government should be wary of further compromise.

The broad objective of encouraging directors, particularly of small private companies, to take earlier and more positive action to prevent financial collapse is fully justified. So is the Government's determination to give creditors a better deal. The threat of provisional disqualification still looks the most effective means of concentrating the minds of directors whose companies are in difficulties. The Government should not compromise on this unless it can devise some other equally effective sanction.

There is a new British television programme in which, sitting comfortably at home, a select panel of 1,000 viewers can for the first time deliver an instant electronic verdict on what they see on the screen.

Their television sets are modified to receive Prestel, the British videodata system. When they have seen enough of an act they can register disapproval by pressing a button on their Prestel keypad, and when sufficient electronic "boos" have been registered the act is pulled off the stage.

This electronic wizardry is made possible by Midland Bank—or more properly by a "Value Added Network Service" (VANS) which runs on the bank's massive data communications network Midnet.

This particular VANS service is run by the Thomas Cook travel organisation, a wholly owned Midland subsidiary, and is a powerful illustration of the way new VANS services are developing in the UK.

The system is known as "Value Added" because it "adds value" to the information on route. It uses a computer to convert it into a form suitable for videodata, for high speed transmission, and for the client's host computer system.

And if this is a comparatively trivial example of VANS in action, it is only the tip of a very serious iceberg. Through a new company, Travinet, Thomas Cook makes it possible for any of the 5,500 or so travel agents in the country, assuming they are equipped with a videodata set, to talk electronically with four operators, hotels, airlines and so on for the price of a local telephone call.

The agent simply dials through to a local Travinet access point with a query, the message is whisked through the network to the tour operator's computer and the answer is flashed back to the agent's desk.

The service is profitable, according to Travinet managing director Mike Cogan who lists Olympic Holidays, North Sea Ferries and Arrandville Holidays among his customers. The decision this week by the UK clearing banks to go ahead with plans for electronic cashless shopping using a telecommunications network which the banks call VANS, is further evidence that this new class of information service has profound implications for business, now and in the future.

(Electronic cashless shopping means that customers will be able to use a plastic card to pay for purchases which will be instantly debited from their bank balance.)

The importance of VANS services has yet to be fully appreciated in the UK, however, despite substantial encouragement from the Government.

Already, there are fears among more far-sighted senior managers that unless companies urgently take on board the significance and potential of VANS like the banks' cashless shopping network, they could find themselves at a substantial competitive disadvantage

against their sharper contemporaries.

One said this week: "VANS are going to change profoundly the way we do business. They will become a widespread weapon in marketing and selling; any company which ignores what VANS have to offer runs the risk of being left behind."

But for the most part, British business has been slow to take VANS seriously, often reluctantly, and the problems of crusading for VANS are compounded by the fact that it is

difficult to find any two people to agree on what a VANS service is. Definition here, at best, is a work of compromises.

Some would argue, for example, that the bank's cashless shopping system is not a VANS service at all, but simply an extension of the British Telecom packet switched service, its high speed, high efficiency data transmission network. (This involves transmitting data in small "packets" at ultra high speed.)

The Government has been mulling over the definition and the form of a new general licence for VANS service operators in the wake of British Telecom's privatisation for some time now.

The existing licence is simple and flexible and trade associations like the Computing Services Association are anxious

that any new licence should not curtail their freedom to innovate.

A consultative document was expected at the end of last year. Now Zetser seems the earliest publication date and the delay seems chiefly due to the political and commercial difficulties involved in deciding where to draw the line when defining VANS services.

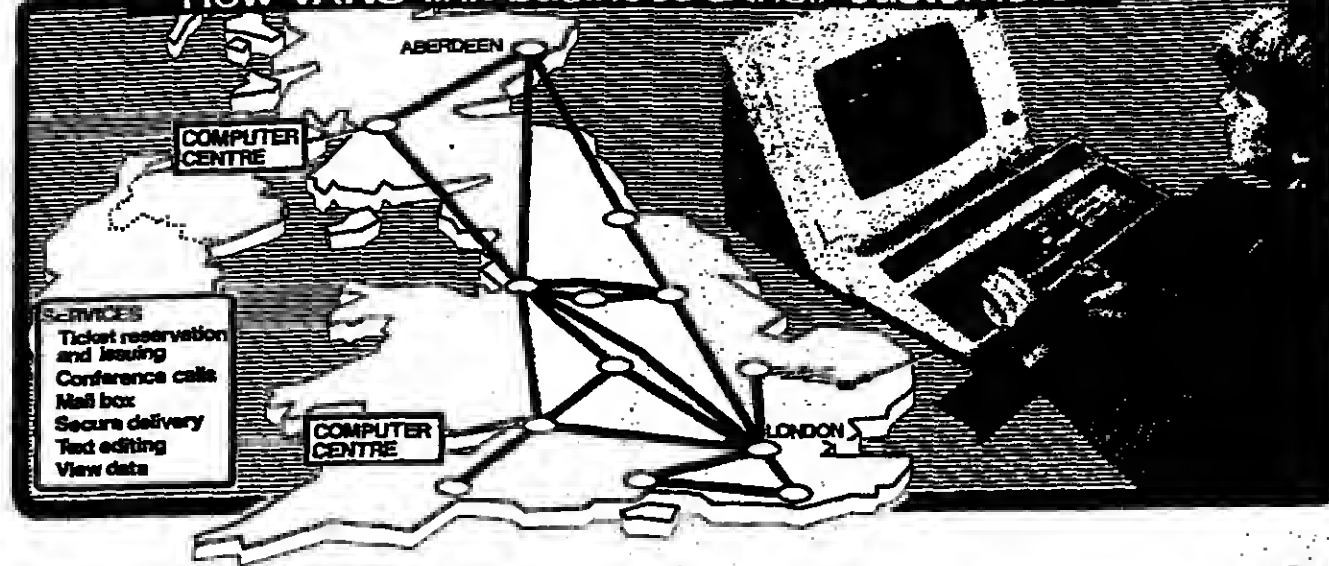
The stakes are high. One study estimates that in Europe alone annual revenues could be more than \$5.7bn by the end of 1990, arguing that the UK's early move to liberalise its telecommunications market should position it well to profit from the growth of the VANS market.

The critical questions which the Government is still pondering are: how to protect British Telecom against simple resale of its circuitry by VANS operators which could skim the cream from its profitable operations, and how to ensure that these operators have maximum freedom to innovate in the same market, while preventing dominant carriers such as British Telecom and IBM from cross subsidising their services.

Taking Occam's razor to this tissue of complexity, however, there are services which everybody agrees are VANS pure and simple. Electronic mail services like Travinet Gold, Intel's Comnet or Geiscom's Quik-Comm are probably the best example and give a clear and uncomplicated picture of VANS in action.

Other examples among the 2,500 VANS available in Europe include:

How VANS link business & their customers



ALL VANS services operate across telecommunications networks provided by the telecommunications authorities and involve the transmission of a electronic message, which could be voice or data, to one or more recipient, while travelling in the network, the message must be enhanced.

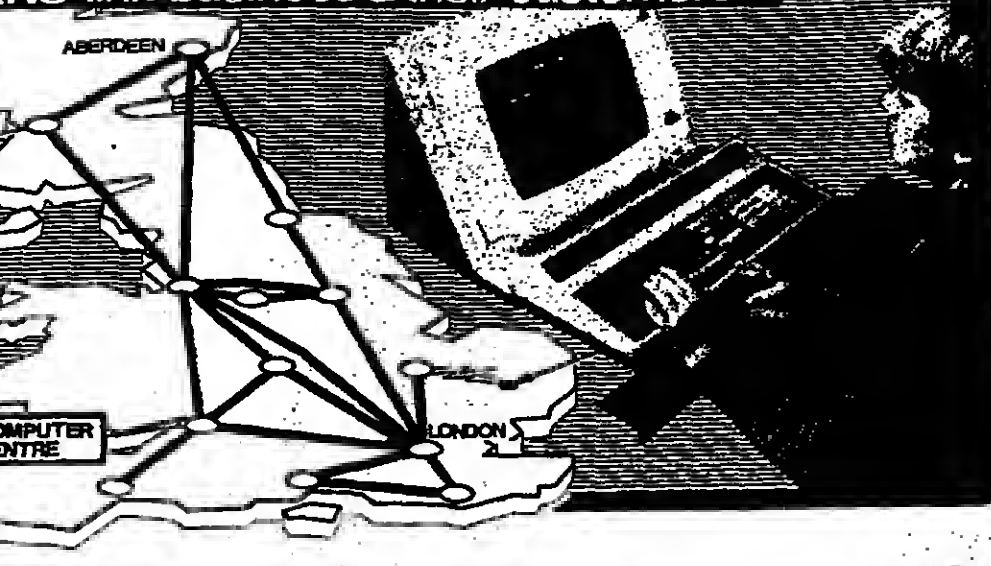
To qualify for the present

VALUE ADDED NETWORKS

A very important iceberg

By Alan Cane

How VANS link business & their customers



UK general licence, a VANS operator must enhance the message by starting it in the network (in electronic mail, distributing it through the network (information retrieval services) or processing it (calculation and delivery of an insurance quote).

Electronic mail spreadsheets the best example of a simple VANS. The value added is

what makes electronic mail superior to telex. Messages prepared on a personal computer can be sent to one or more recipients on the system, but they are stored in the VANS operator's computer until the recipient asks for them to be delivered electronically to his or her own personal computer.

The network and management of the network is provided by the telecommunications authorities but the value is added by the operator in storing the message, in distributing it to various addresses and in providing facilities to manipulate the message in various ways—editing a company statement is one example.

The U.S., traditionally a couple of years ahead in advanced electronics, is little less than a decade behind in this confusion over what constitutes a VANS there.

This confusion springs from the early days of VANS operations in the U.S. The first value added carriers to receive licences, GTE's Teletype and Tymnet, and Graphnet, offered more efficient data communications through packet switching techniques.

So packet-switching service and value add service became synonymous in the U.S.

The Americans after intensive debate have now virtually abandoned attempts to define VANS and left the area almost completely deregulated. There is no distinction between VANS and basic services and VANS are not separately licensed.

The UK could follow the same route. What many would like to see is a licence giving most operators the same and more freedom as they have within the existing licence with special conditions written in for those like British Telecom and IBM, who might wish to offer network management as a VANS service.

But even when the licence issue is settled, it remains to be seen how quickly UK and European companies respond to the challenge of this low-cost way of sharing an intelligent network.

Mr Hooper of British Telecom says: "The adoption of VANS will be made much easier by a cosmetic change in Britain. VANS have a rosy future, but it will not be roses tomorrow."

The fear among the rest of the industry was that the competition of two giants in the VANS business would crush competition.

This decision, taken largely for political reasons, leads to curious situations. For example, Intel, the computer

which he has run for the past eight years.

Now he intends to develop his interests in investment banking in the U.S. and has resigned as a director of the group.

The task of revamping the U.S. side now falls to Daniel Schwarzwald, a 36-year-old with extensive experience of U.S. retailing. Conran tells me that Schwarzwald "has already made appointments to the prime positions in finance, property, distribution, marketing and personnel."

Leaders lot

Mrs Thatcher and Neil Kinnock are not the only political leaders who suffer embarrassment at the hands of some of their MPs.

Dr Alois Mock, leader of the conservative People's Party in Austria, has called for the resignation of Defence Minister Friedrich Frischenschlager, and tabled a no confidence motion for debate in parliament today, after the welcome the minister gave to Walter Reder, the former SS officer and war criminal, on his return from an Italian jail.

Now too of Mock's MP, Wilhelm Gorton has offered Reder a job. Gorton owns a grain mill, a saw-mill and a forest plantation in southern Carinthia. It is not clear what work the 69-year-old Reder, who has spent 37 years in jail, is qualified to do.

But Gorton says his offer is "for humanitarian reasons"—which is exactly how the minister defended his actions.

Earmarked

Ireland's "Business and Finance" magazine reports the sad case of Dublin city and county manager, Frank Feely.

Half way through his speech at a public meeting, Feely asked: "Can you hear me at the back?" "No," came the reply. At which point a voice piped from the front: "I'll swap places."

Observer

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The Government agreed. It turned down the IBM-British Telecom proposal arguing that such a joint venture in the early days of the development of VANS would be "a significant deterrent to market entry to others."

Why is it so hard to define a VANS service? The problem is that it is becoming increasingly difficult to separate the processing of information from its transmission.

Mr George Jefferson, chairman of British Telecom, put it succinctly at a recent Financial Times conference. He said: "The difficulty about the separation of value added services from the network itself will, I believe, be brought more sharply into focus as technology develops. Networks will increasingly add value as part of their inherent function."

"I believe that practical experience will show that an increasing range of what are currently regarded as value added services will prove to be naturally and more effectively provided as applications of the processing power and in-built intelligence of modern digital basic networks."

In other words, when the network was monopolised, it was comparatively easy to see a particular service as adding value.

When the network is "intelligent" adding value is that much harder.

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The Bank of England announces that Her Majesty's Treasury has created on 30th January 1985, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£200 million 10½ per cent TREASURY STOCK, 1989

£200 million 12 per cent TREASURY STOCK, 1985

£100 million 10½ per cent CONVERSION STOCK, 1989

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 30th January 1985 as certified by the London Stock Exchange. In addition, Her Majesty's Treasury has created on 30th January 1985, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

£150 million 11 per cent EXCHEQUER STOCK, 1989

£150 million 11½ per cent TREASURY STOCK, 1991

In each case, the amount issued on 30th January 1985 represents a further tranche of the relevant Stock, ranking in all respects pari passu with the Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related solely to the initial sale of the Stock. Application has been made to the Council of the Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 10½ per cent Treasury Stock, 1989 and 12 per cent Treasury Stock, 1985 dated 8th April 1983 and 8th September 1977 respectively, and of the prospectus for 10½ per cent Conversion Stock, 1989 dated 24th April 1983 for 24 per cent Index-Linked Treasury Convertible Stock, 1989 (which contains the terms of issue of 10½ per cent Conversion Stock, 1989) may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 8AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below.

Stock	Redemption date	Interest payment dates
10½ per cent Treasury Stock, 1989	14th June 1989	14th June 1989
12 per cent Treasury Stock, 1985	25th January 1986	25th January 1986
10½ per cent Conversion Stock, 1989	22nd November 1989	22nd May 1989

Each further tranche of stock issued on 30th January 1985 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. Official dealings in the Stocks on The Stock Exchange are expected to commence on Friday, 1st February 1985.

BANK OF ENGLAND
LONDON

30th January 1985

Observer

Observer

Observer

POLITICS TODAY



The making of a Prime Minister: Mrs Thatcher in October last year (left); in October 1975, after winning the election; as Tory leader in 1975; and at her marriage in 1951.

Mrs Thatcher: still way ahead of the pack

By Malcolm Rutherford

MRS THATCHER will shortly have been leader of the Conservative Party for ten years and Prime Minister for almost six. Yet as events at the University of Oxford have illustrated this week, she remains a controversial figure: highly successful at winning elections, but not popular with the establishment, and without the obvious geniality that has reconciled some American Democrats to President Reagan.

On this near tenth anniversary of her leadership, there are several points that can be made about her.

● The antipathy shown by the establishment is a source of potential strength.

● The Prime Minister's rhetoric is usually stronger than her actions, but this has led to some confusion (perhaps in her own mind as well) as to what she is really doing.

● In adversity, and the Government has been in adversity during the last few weeks over the exchange rate and will remain so over unemployment, the Prime Minister reacts by stiffening her resolve, not by compromise.

● The Thatcher experiment is taking much longer to implement than any of its advocates foresaw. It may not have been radical enough, fast enough. It is possible that time is running out.

● The Prime Minister began by being excessively insular. She did not recognise that other countries, too, could recover from recession, that there were new sources of competition, and that even if Britain's economic performance improved, the country might still be in relative decline.

As so often, a clue to what the Government is trying to do is to be found in the speeches

of Sir Geoffrey Howe, in many ways the principal architect of the modern Conservative approach. He made another speech in Cambridge last week.

What the Tories had done in opposition in the second half of the 1970s, Sir Geoffrey said, was to mount a "successful challenge to the status quo." He went on to illustrate some of the ways in which it had worked: for example, the establishment of a "new common ground" where words like "entrepreneur," "profit," "productivity," "ownership" and even "privatisation" had become part of the political parlance, to be approved of rather than sneered at.

That is a considerable change. Implicit in his speech, however, was a warning that it had all taken much longer than expected to achieve and that it could still be reversed, even by developments within his own party.

Some of that has been observed from events this week: the Oxford done, for instance, who refused in huge numbers to give Mrs Thatcher an honorary degree. It is a small point, but it seems to reveal more about Oxford than about the state of the country, Oxford presumably

admits to no share in Britain's relative decline over the years. Its Chancellor, after all, is still the Earl of Stockton. So it made a childish gesture.

There was also a failure of perception on the part of the dons. Mrs Thatcher has always thrived on populism and attacking the status quo. The Civil Service, the Foreign Office, the wets in the Conservative Party, all recognised that too late. Yet the Prime Minister pressed on.

Oxford is only the latest of the British institutions with which she has come into conflict, though it was none of her making. The dons who think of themselves as radical have come out looking very conservative, trying to preserve the Britain of the past. In the country, Mrs Thatcher must have won hands down.

In the real world, the Government demonstrated its determination to press on regardless by raising interest rates in response to the weakness of the pound for the third time in two weeks.

At the Select Committee on the Treasury on Monday, Chancellor Lawson deliberately referred to those seminal documents of the 1970s, *The Right*

Approach to the Economy, as well as defending market forces.

There was also an admission that the Government had not done quite as well as it ought to have done. Public expenditure as a percentage of Gross Domestic Product had been rising by an average 1½ points a year, whereas the aim was to keep it flat. But it was quite clear that he intended to use the sterling crisis as a further lever for keeping public spending down.

This is what Mrs Thatcher's Government has done since its inception. Most of the great survivors of her administrations have been in the Treasury. Mrs Thatcher herself, who Lord Wilson once said would have made a very good Chancellor, Sir Geoffrey, Mr Lawson and Mr Leon Brittan, now the Home Secretary. They do not always get their way, but they strike back whenever they can.

Yet as Mrs Thatcher's Government has gone on, it has discovered that Britain's problems are even deeper than was originally thought. No only is public expenditure hard to control, even by an administration committed to doing so. There are problems about training,

apprenticeships, and behind those education. Perhaps the British do not want to be competitive in the wider world.

Thus the quest for containing expenditure and abolishing controls has developed into a wider one of seeking to re-educate the British people.

That is the significance of the appointment of Lord Young, the former head of the Manpower Services Commission, to the Cabinet as what he calls a kind of "underlord" responsible for training matters and seeking to release market forces in a humane way.

Two points stood out when he appeared before the Select Committee on Employment on Wednesday. One was just how far he realised the country still bed to go before catching up with its competitors, such as West Germany. The other was that sheer incomprehension of what he is trying to do by a Labour member of the Committee, Mr Kenneth Eastham, the Labour MP for Manchester Blackley.

Mr Eastham said that young workers were already being "exploited" by being paid wages that were too low. Lord Young's argument that they do these things much better in West Germany by providing the training

Lombard

The case against freesheets

By Ian Hamilton Fazey

THE REMARKABLE growth in numbers of freesheets, from a handful to more than 700 in about 10 years, has led many to wonder how and why it happened, especially as cherished "local rags" have been converted into the new medium.

Two questions demand answer. Does it matter? and does explosive growth mean market forces are as great as freesheet supporters say, making them right, whatever people think of them?

It matters. Local newspapers are the chronicles of the life and times of the communities they cover. As such, they are an inextinguishable part of democracy. Anything affecting their role in society should be pondered carefully because it might affect the very nature of what is meant by freedom of speech in Britain.

To answer the second question, let us look at what has happened. Freesheet publishers started putting editorial matter into their publications because, 10 years ago, the Customs and Excise decreed that those containing less than 25 per cent of editorial matter would not be classed as newspapers and, therefore, would not be zero-rated for VAT purposes.

It was cheaper to take the loss of advertising yield per centimetre by including editorial than it was to become a net VAT contributor.

In the end, freesheet publishers found the proposition into a virtue by claiming that they were giving the editorial content as an extra service. It will be interesting to see what happens to the amount of editorial matter in freesheets if newspapers become standard-rated for VAT.

As it is, the editorial quality of most freesheets I have seen has been appalling. Most use a mailbag approach to news-gathering, in which material sent in and rewriting it only if they have to. They seldom cover courts. This helps keep editorial costs to the minimum.

Behind most freesheets are very capable advertising men. In my experience their tunnel vision is focused unerringly on TMC—the total market coverage they claim to offer advertisers. By opting out of the circulation market they are susceptible only to the market forces of advertising. Advertisers, not readers, are their customers. In the final analysis, the product has to be tailored to their needs above anyone else's, with the editorial content mere packaging.

Paid-for-newspapers operate in both circulation and advertising markets. Why weeklies are vulnerable to freesheets is that circulation usually contributes less than a quarter of total revenues, as opposed to a 50/50 split for, say, regional evening papers.

The question of whether to convert depends on whether it is more profitable to use fewer journalists on a mainly mailbag operation than it is to use more of them to generate circulation revenue through a better editorial product. In suburban areas where population decline squeeze a circulation market that may already be shared easily with an evening paper, the lure of TMC in maximising advertising market share will usually seal the paid-for-weekly's fate.

This matters because free publications devalue the worth of journalism in its marketplace. Charging for newspapers is the only means of measuring that worth. If one had to pay for the freesheets I see, I would not be more than one issue.

The keep going because they are rammed through people's letter boxes whether wanted or not. Is this a market? Surely market forces can only exist if there is real choice? No doubt advertisers find some response to the messages in the space they buy but can any of them really measure if they are better off? Communities facing loss of quality in local journalism are surely not.

There is an old saying in marketing: "the more you pay, the more it's worth." The converse of this implies worthless news in anything costing nothing. Isn't it time we stopped minding our words about the frees?

Most I have known—and I don't exclude one that I heard launch for reasons of market defence in the Wirral in 1976—are about as attractive as citizenry as unsolicited mail. So why not call them junk newspapers and get them into perspective? And to give their publishers some real response, why not post them back where they came—unstamped?

Monetary policy

From the Chief Economist, Laing and Crutchfield

Sir—The Chancellor has hinted that there may be less scope for tax cuts in the forthcoming Budget. Such a shift in policy would be the worst mistake yet in the recent catalogue of economic policy disasters.

While the idea of tightening fiscal policy to assist in the reduction of interest rates is an integral part of the medium term financial strategy (MTFS), I would have thought that recent events would have led the Chancellor to reconsider the MTFS in the light of the strong dollar. For one of the main weaknesses of the MTFS has always been the lack of any consideration given to the exchange rate or, indeed, anything beyond the Straits of Dover.

The problem is that if the dollar remains strong and dollar oil prices weak then it will be difficult to prevent a further fall in the pound and thereby a rise in domestic inflation. The anti-inflation strategy is to remain intact then there is little alternative but to acknowledge that monetary policy must be driven not by the considerations, but by the policy of the Federal Reserve.

This means holding monetary growth right down. It does not mean massive overfunding of the PSBR in order to create the illusion of monetary control, but genuine control of money demand through high interest rates.

It is not without significance that whereas sterling M3 has risen 9.5 per cent over the past year, M1 has risen by 18.6 per cent. PS12 by 14.5 per cent and total lending by about 17 per cent. These measures of money and credit have accelerated over the past year, while in the U.S. monetary growth has not only decelerated but has been wholly absorbed into real output growth. Therein lies the fundamental reason for the collapse of the exchange rate.

So to hint that the PSBR might be cut in order to help reduce interest rates is, simply to court further disaster on the exchange rate. Monetary growth will have to be curbed, and the route to lower monetary growth lies in high interest rates rather than in some fanciful notion of a simple link between cutting the PSBR and cutting monetary growth.

The Chancellor must keep money tight for as long as the dollar remains strong and must offset the damaging effects of high interest rates on the economy by making large tax cuts and—in the fullness of time—boosting infrastructure investment.

This means shifting the

Letters to the Editor

balance of fiscal and monetary policies towards the U.S. experience—tight money and high budget deficits and mending the MTFS accordingly. It is a policy which has been pursued with great success in the U.S. despite the persistent warnings of the prophets of doom. There may be no other way of combining further downward pressure on inflation and support to employment in the UK. If the Chancellor responds to a foreign exchange crisis of his own making by abandoning plans to cut taxation he risks both rising inflation and recession.

Malcolm Roberts,
Chief Economist,
7, Copthall Ave. EC2

Total energy strategy

Sir,—In your Leader of January 29 you suggest that the UK coal mining industry be subject to market forces, including those determined by exports and imports.

Surely the long term interests of our primary energy base demand something more than the invisible hand of Adam Smith? Indeed, is it not wise that a total energy strategy be formulated, long term, before resources, notably oil and gas, are squandered beyond recall? One does not take the cream off a bottle of milk, and no more, simply because it is more profitable in terms of "fat" so to do. Does this not also apply to coal mines, having regard particularly to the required infrastructure already installed?

The day is not far distant when synthetic natural gas (SNG), derived from coal, will exist of necessity. Why not today? The required technology exists and is substantially proven. It can reasonably be employed as something of a "sponge" to soak up surplus coal and thereby extend the life of North Sea reserves. The two dominant questions will however remain: "what is then an economic pit?" and "who or what decides?" Mr MacGregor impelled by market forces, the miners impelled by a will to save their jobs or the stability of the UK primary energy base. Ideally, I suggest, a mixture of all three.

Prior to MacGregor pits were closed following due consultation and subsequent agreement. The miners were here involved and factors other than the will

to profit were taken into account, and rightly so. If this practice is restored it is not possible, indeed probable, that goodwill and cooperation can be brought to bear throughout the energy supply industries to the greater benefit of all concerned? E. D. Dyke.

19 Approach Road,
Margate, Kent.

Taking people out of tax

From Mr R. Hobhouse

Sir,—I read Samuel Brittan's article of January 24 with interest and approval. It had always seemed to me that "taking people out of tax" neither benefited those in need nor with those excluded being on PAYE saved much administration either. His proposals, however, admirable, do not do much to reduce the high marginal rate of tax for those just over the personal allowance. Can someone explain to me why in a computer age it is impossible to have bands of £1,000 at 10 per cent and £1,000 at 20 per cent in the bottom part of the present 30 per cent band? With the incidence of higher rates being unchanged this would benefit the lower paid proportionately much more than the better off, though the benefit would be the same for all in-cash terms.

One could even arrange a drawback either by lowering the threshold at which the 40 per cent rate applied, or, if Mr Brittan's drawback zone of £8,000 plus is desired, by a 45 per cent rate from these to £10,000, on a rough calculation the macroeconomic cost would not be as much above those in Mr Brittan's article.

R. H. Hobhouse
Rathbone Bros and Co
Port of Liverpool Building
Pier Head,
Liverpool 3

Plans for the Floral Hall

From Mr C. Mill

Sir,—I was interested by Colin Amery's "architecture" article (January 28) and its comments on the plans for the Covent Garden Opera House extension. It appears that the Floral Hall may have to go to cater for the pressing needs of the Opera House.

Is there, however, to be no

place for the portico of the Floral Hall in the piazza? It is an outstanding feature of the East End, and a special example of Victorian cast-iron architecture. An extension plan which has no place for the portico will deprive the piazza of an important part of its character and history.

Christopher Mill,
Russell Chambers,
Covent Garden, WC2.

Folding up new businesses

From the Chairman and Managing Director,
Four Counties Newspapers

Sir,—You state in the leader on VAT (January 21) that the Newspaper Society says if VAT is levied on the newspaper industry, 7,000 jobs and 100 titles could be lost. I was given the impression from your tone that you thought the NS had overstated the case.

As a regional free newspaper proprietor, council members of the Association of Free Newspapers (AFN) and chairman of the Association of Free Magazines and Periodicals (AFMP), I consider the Price Waterhouse report for the NS to be understating the case.

After digesting the report by Arthur Young McClelland Moores and Co and that commissioned by the AFN from Thomson Baker, I have come to the view that AFN's estimation of 20,000 job losses and the "folding" of up to 200 new businesses to be nearer the mark. Especially if the "double-tax trap" of VAT on notional cover price is implemented.

I find it ironic, if not tragic, that the fastest flourishing section of the publishing/media world should be put at risk by a Government committed to supporting the growth of new industries and businesses.

Michael L. Williams,
Westbourne House,
Newcastle Street,
Workshop, Nottingham.

Fiscally neutral?

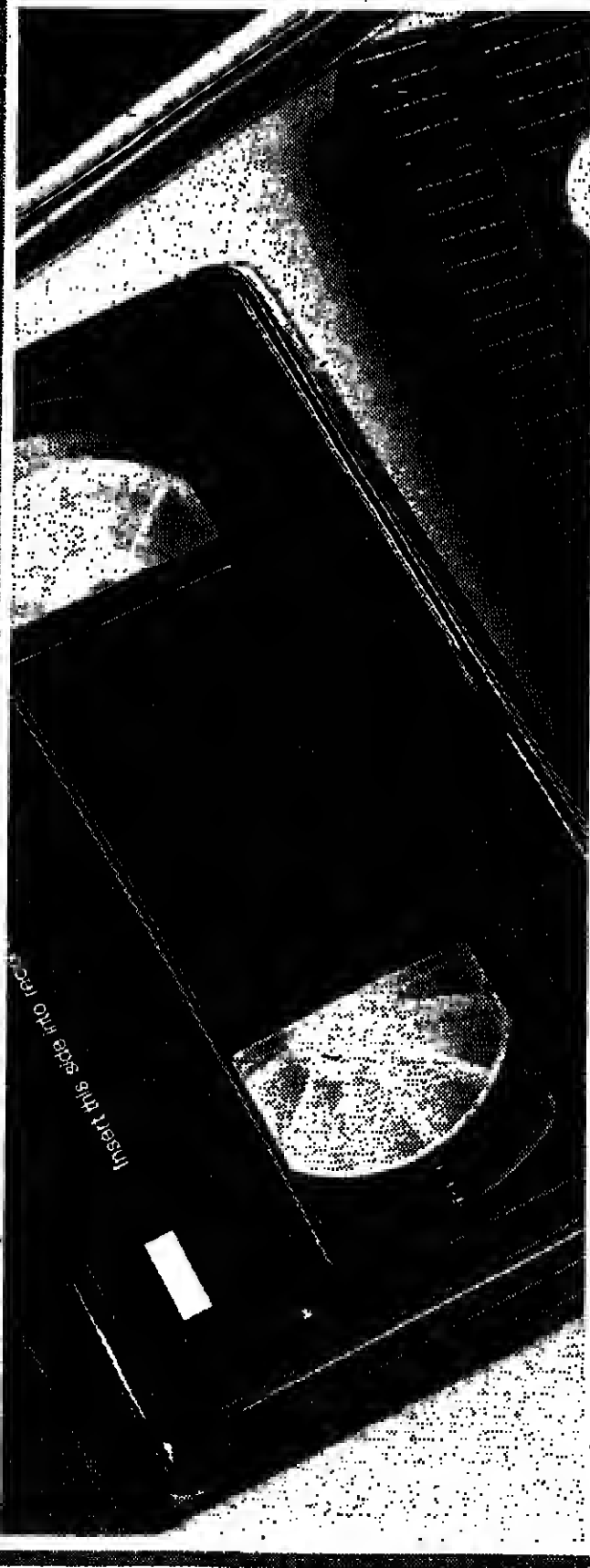
From Mr N. Fallon

Sir,—I find the various proposals for taxing pension funds disturbing. The funds are only a mechanism for converting savings during the working life to pension after retirement. What are really proposed are additional taxes on the pensioners themselves.

It seems to be only pensions in the private sector which are under attack. Among the Treasury's kites I have seen none signalling corresponding reduction in public sector pensions.

N. R. Fallon,
2, Lansdowne,
Carlton Drive, SW15.

IF YOU THINK JOHN BROWN BUILD SHIPS IT'S TIME WE PUT YOU IN THE PICTURE.



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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Friday February 1 1985

SHEERFRAME

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Special gains lift Dow Chemical 75% in year

BY PAUL TAYLOR IN NEW YORK

DOW CHEMICAL, the second biggest U.S. chemical group, yesterday reported a 9.7 per cent increase in fourth-quarter net income, bolstered by tax-related special gains. The net earnings gain came despite lower operating income and a decline in fourth-quarter revenues.

For the full year, net earnings jumped by 75 per cent, helped by tax and other special gains, together with a 64 per cent increase in operating income.

The Michigan-based chemicals group said fourth-quarter net earnings increased to \$79m or 42 cents a share from \$72m or 37 cents a share on revenues which fell by 8 per cent to \$2.69bn from \$2.92bn.

The latest quarterly earnings included an 8 cents a share extraordinary gain on the realisation of foreign loss carry-forwards and a 27 cents a share gain from a tax-rate adjustment and the utilisation of tax credits. In the 1983 period final quarter earnings included a 6 cents a share extraordinary gain.

"We did not see a normal seasonal increase in demand for chemical products during the fourth quarter," said Mr Paul Orefice, Dow's president and chief executive officer. "Therefore we felt it was appropriate to reduce inventories through lower operating rates."

As a result, operating income for the fourth quarter fell to \$38m from \$147m in the year-ago period. Mr Orefice added: "The strength of the U.S. dollar against foreign currencies has increased to the point that some U.S. chemical markets are being affected by imports."

Full-year net earnings increased to \$585m or \$3.02 a share compared with \$334m or \$1.71 a share in 1983 on revenues that grew to \$11.4bn from \$11bn. The 1984 results included a \$30m or 19 cents a share gain from foreign operating loss carry-forwards. In 1983 earnings were helped by a \$41m or 21 cents a share extraordinary gain on the redemption of bonds.

In addition the 1984 results included a \$183m pre-tax gain from the sale of the group's 50 per cent stake in the Dowell oil field services business to Schlumberger, a pre-tax \$157m charge to cover the costs of mothballing a crude oil processing plant and a \$71m reduction in tax provisions. Dow said the combined favourable net impact of these items was to boost earnings by 59 cents a share.

Caterpillar buys into robotics company

By Andrew Baxter in New York

CATERPILLAR Tractor, the world's largest construction equipment manufacturer, is to take a 12 per cent stake in Fared Robot Systems, a small Texas-based applied robotics concern, in a deal that might eventually benefit Caterpillar through improved factory automation.

Caterpillar has signed a letter of intent to buy 2m Fared shares at \$1 each through its Caterpillar Venture Capital subsidiary, which aims to find and develop new technologies and businesses.

Caterpillar emphasised that the move was "a venture investment and any direct benefits to its own business would be 'further down the road'."

Fared yesterday reported a \$32,000 first-quarter net loss on sales of \$4.26m, compared with a deficit of \$1.4m on sales of \$4.17m a year ago. Mr Harold Spidle, president, said the company's growth had been "very much constrained" by a lack of working capital, for which the cash from Caterpillar will be used.

He added that the deal would be "a real shot in the arm for Fared."

Telefonica to raise Pta 32bn

BY TOM BURNS IN MADRID

COMPANIA Telefonica Nacional de España (CTNE), Spain's semi-state owned national telephone monopoly, plans a one-for-eight rights issue before the end of this month to raise Pta 32bn (\$182m). The operation represents the company's second capital increase in three months. CTNE will simultaneously seek government permission to lift the present 25 per cent ceiling on foreign ownership of its shares to 49 per cent.

The new issue has been brought forward by several months to benefit from the sustained buoyancy of the Madrid bourse and to coincide with the start of trading in CTNE shares on the London, Paris, Tokyo and Frankfurt stock exchanges.

Telefonica said yesterday that

subscriptions would open on February 25. The new shares are being issued at Pta 400 or 80 per cent of their nominal Pta 500 value; the remaining 20 per cent will be paid in from reserves to give an expected yield of 13.75 per cent.

The CTNE board's approval of a new issue caused the Telefonica shares on the Madrid stock exchange to surge yesterday by 8.25 points, up from 123 on Wednesday and from a new year base of 100.

The rise represented the maximum 5 per cent increase on the previous day's quotation allowed by Spanish bourse regulations.

The move to raise the limit on foreign ownership of CTNE equity comes after considerable foreign investment in the past year, principally by U.S., British and West German pension funds, which has boosted the non-Spanish holding in the company to some 12 per cent of its underwritten capital.

The initiative to trade on foreign stock markets, which should enable CTNE to replace part of its \$1.5bn external debt, has prompted the company to seek a revision of foreign ownership limitations.

The Government's influence over CTNE is assured by its 47 per cent ownership of CTNE's equity through the central bank of Spain, the public sector holding, INI, and other state agencies. The rest of the stock is widely distributed. Telefonica boasts 750,000 shareholders, the majority of whom own fewer than 200 shares.

In November a one-for-nine rights issue at 70 per cent of nominal value raised Pta 22.5bn. The present planned issue is comparable to a Pta 34bn share increase operation in October 1983, which raised CTNE's nominal value to Pta 288bn, the largest of any Spanish quoted stock.

Financing growth has increasingly become the major priority for CTNE, which has in recent months taken on the key role of co-ordinating the Government's ambitious electronics programme. Among the current projects undertaken by Telefonica are joint ventures with American Telephone & Telegraph to establish a microchip manufacturing base in Spain and with Corning Glass

IBM deal threat to Tandem

BY LOUISE KEHOE IN SAN FRANCISCO

IBM is expected to enter the market for fault-tolerant computers currently dominated by Tandem Computers after signing an agreement with Stratus Computer. According to Stratus, the agreement will give IBM the right to market Stratus fault-tolerant computers worldwide on a non-exclusive basis.

Fault-tolerant computers are designed not to fail, even if some components of the system go down. They are used primarily in transactions processing by banks, financial institutions, airlines and stores. According to market researchers, the transactions processing market is growing at an annual rate of about 30 per cent and is currently valued at about \$25bn.

This is believed to be the first time IBM has agreed to market a computer system made by another company, although it has sold peripheral products from other makers.

The terms of the agreement were not released, and IBM said: "We cannot speculate upon our intentions. We may market a fault-tolerant computer system."

The agreement would, however, appear to provide IBM with a ready-made product line. Stratus makes a range of machines, starting with a \$100,000 entry-level system, which can be built up into a "super-minicomputer" system

worth several million dollars by attaching additional processors.

Industry experts believe IBM's entry into this sector of the market could have a serious impact on Tandem, the current market leader, with 1984 sales of about \$330m.

Tandem has positioned itself as an IBM competitor, noted Mr O. M. Serlin, president of Rom International, a recognised expert in the fault tolerance market place. "This agreement cannot be good news for Tandem."

Stratus has been the most successful of several companies that have attempted to compete with Tandem, and had 1984 sales of about \$42m.

Hope for Europrogramme investors

BY ALAN FRIEDMAN IN MILAN

SIG GIOVANNI Goria, the Italian Treasury Minister, has said parliament that he believes the Lugano-based L1,000bn (\$541bn) Europrogramme unit trust, controlled by Sig Orazio Bagnasco, will be liquidated in April.

Sig Goria, commenting for the first time since Sig Bagnasco handed in his resignation amid allegations of improprieties by shareholders and investigations by magistrates in Italy and Switzerland, held out the prospect, however, that Europrogramme investors might at

be able to opt for conversion of their units into Italian stock market shares.

The Europrogramme affair stemmed from a severe slump in the Italian property market and a liquidity crisis. Since last year angry unit trust holders have been demanding redemption, but the Swiss federal banking commission has suspended all redemptions until March 31 to avoid chaos.

The controversy has caused a number of prominent Italians to speak out against the sale in Italy

of unquoted share certificates, a practice used by Europrogramme. Now, with the recent appointment of Allgemeine Treuhand, a Basel auditing firm chosen after consultations between Swiss and Italian central banking authorities, it appears that Europrogramme will face liquidation.

The Italian Treasury halted legislation last November which would have permitted Europrogramme to "Italianise" its Swiss-based assets by converting into a listed company on the Milan bourse.

Go-ahead for 'poison pill' bid defence

By Our New York Staff

A DELAWARE court has given the go-ahead to a controversial new type of takeover defence that will make it potentially more difficult to launch a hostile bid against certain companies in the U.S.

An appeal against the judgment, made in a test case involving Household International, was immediately launched last night and is expected to go to the Delaware Supreme Court.

The defence mechanism is aimed at making a contested bid prohibitively expensive, by attaching exceptionally costly warrants to a victim's shares - these would have to be bought out if there were a takeover.

Called a "poison pill," the mechanism was accepted in the Delaware court on the grounds that the company's directors had exercised a valid business judgement in installing the scheme.

The chancery court's decision was greeted enthusiastically by Household International as a validation of its action. The case has been keenly watched by other companies installing similar defence devices.

These include Colgate-Palmolive, the household products group, in which Sir James Goldsmith, the UK financier, acquired a small stake last year, while declaring that he would like to increase his holding to more than 10 per cent.

Bouygues plans scrip issue after 31% gain

BY DAVID HOUSEGO IN PARIS

BOUYGUES, France's leading private construction group, announced a sharp 31 per cent boost in consolidated profits last year, to FFr 440 (\$45.4m).

Turnover rose 33 per cent to FFr 24.1bn, a figure that takes account of new acquisitions and a change in consolidation procedures. Excluding minority interests net earnings increased 20 per cent to FFr 400m.

As a result the group announced yesterday that it would make a one-to-five scrip issue.

Bouygues, which has been heavily diversifying in the past year, said it expected less than half of turnover this year - expected to be more than FFr 25bn - would come from its construction activities.

Last year the group purchased FFr 100m of assets from Amrep, the bankrupt oil concern, and a majority stake in two companies in the water distribution and electrical fields. It has also entered into a joint venture in the tour and travel industry.

Write-off hits Champion

BY OUR NEW YORK STAFF

CHAMPION International, the U.S. forest products group which recently completed a \$1.8bn takeover of St Regis, yesterday reported a \$9m net loss for 1984 as a result of the previously announced \$150m write-off.

The write-off relates to the restructuring of the company's building products business and includes the shutdown of various facilities, including the closure of seven plants employing 2,000, announced earlier this week. It also includes provision for anticipated losses on the company's short-term timber cutting contracts.

In the fourth quarter Champion earned \$30m before accounting for

the write-off and the St Regis acquisition. St Regis turned in a strong performance at the operating level. Its contribution to the period's net income was reduced, however, by the financing charges and by the fact that Champion owned St Regis only for the last month of the year.

Mr Andrew Sigler, Champion's chairman, described the St Regis acquisition as an extremely positive event.

The group's 1984 sales totalled \$5.1bn, up from \$4.3bn the year before. Champion reported a fully-diluted loss of 36 cents per share in 1984 compared with a profit of \$1.22 per share in 1983.

Year-end rise at Marsh & McLennan

BY OUR NEW YORK STAFF

MARSH & McLennan, the U.S. insurance broker hit in early 1984 by a \$155m loss on unauthorised bond trading, yesterday reported full-year net earnings of \$56.7m or \$1.82 a share, down 37 per cent from \$89.3m or \$2.85 in 1983.

The 1984 figures include a \$110m pre-tax charge related to the trading losses, while the 1983 figures have been restated to take in a \$43.6m charge for the same reason. The total net effect of the losses over both years was \$90m.

In the fourth quarter net earnings rose from \$11.9m or 94 cents a share to \$26.6m or 73 cents. The 1983 period takes in \$26.1m in pre-tax charges for the trading losses.

Behind the somewhat distorted net figures lies a steady improvement in operating performance. Income before taxes and charges rose 12 per cent in the fourth quarter to \$37.9m compared with a 5 per cent rise for the year to \$251.5m.

Total operating revenues rose from \$232.5m to \$281m in the fourth

quarter, and from \$899.8m to a record \$1.1bn in the year.

The recent recovery in premium rates in the insurance industry, after several years of depressed rates, is seen by analysts as benefiting Marsh & McLennan, which as a broker receives commissions as a percentage of premiums placed. The company yesterday described the fourth-quarter performance as solid, and was optimistic about the prospects for 1985.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action to be taken you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. Expressions used in this document, shall, unless the context requires otherwise, bear the same meaning as in the Tender Offer Document dated 22nd January, 1985 from Morgan Grenfell & Co. Limited.

THE BRITISH LAND COMPANY PLC

TENDER OFFER

to acquire up to 9,023,337 Limited Voting Ordinary shares in

STYLO PLC

MORGAN GRENFELL & CO. LIMITED

(Registered in England No. 315841)

Registered Office:
 23 Great Winchester Street,
 London EC2P 2AX
 30th January, 1985

To all Limited Voting Ordinary shareholders of Stylo PLC and, for information only, to Stylo Management shareholders.

Dear Sir or Madam,

On 22nd January, 1985 the Board of British Land announced that it was making an offer to acquire by tender up to a maximum of 9,023,337 Limited Voting Ordinary shares in Stylo, representing, together with British Land's existing holding of Stylo Ordinary shares, 29.99 per cent. of the voting rights and 50.90 per cent. of the issued share capital of Stylo.

STYLO ORDINARY SHAREHOLDERS ARE REMINDED THAT THE TENDER OFFER CLOSING AT 3.00 P.M. ON TUESDAY, 5TH FEBRUARY, 1985 AND CANNOT BE INCREASED OR EXTENDED.

Forms of Tender, duly completed in accordance with the instructions therein, must be received by British Land's registrars, Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL by this time.

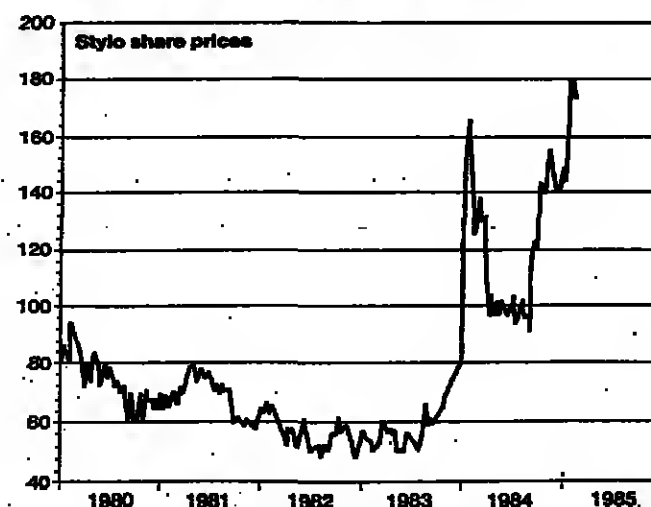
Shareholders who wish to tender all or part of their holding of Stylo Ordinary shares and to receive New British Land shares (the "Share Alternative") must deliver a duly completed Form of Tender (together with share certificate(s) and/or document(s) of title, if any) to Hill Samuel Registrars Limited by 3.00 p.m. on Tuesday, 5th February, 1985. British Land reserves the right to treat tenders for the Share Alternative (but not the Cash Alternative) as valid even though not complete in all respects or not accompanied by the relevant share certificate(s) and/or other document(s) of title.

If share certificate(s) or other document(s) of title have been issued but are not immediately available they should be forwarded to Hill Samuel Registrars Limited as soon as practicable; the Form of Tender will be valid, but settlement will not be made until fourteen days after Hill Samuel Registrars Limited have received the share certificate(s) and/or other document(s) of title. Where share certificate(s) and/or other document(s) of title have not been received as a result of a recent purchase, shareholders are advised to obtain a Sepcon or registrar's certification on the Form of Tender. If shareholders are in any doubt as to what to do they should immediately consult the agent through whom they purchased their Stylo Ordinary shares.

Shareholders who wish to tender all or part of their holding of Stylo Ordinary shares and to receive cash (the "Cash Alternative") should note that Hill Samuel Registrars Limited must receive the duly completed Form of Tender together with the share certificate(s) and/or other document(s) of title or Form of Tender certified by Sepcon or Stylo's registrars by the close of the Tender Offer.

STYLO ORDINARY SHAREHOLDERS SHOULD NOTE THAT THE TENDER OFFER IS CONDITIONAL UPON TENDERS BEING RECEIVED IN RESPECT OF MORE THAN 8,000,000 STYLO ORDINARY SHARES.

Set out below is a graph showing the price movement of Stylo Ordinary shares over the last five years based on the middle market quotation at the close of business on the first business day of each week.



The maximum value of the Share Alternative under the Tender Offer is 185p and that of the Cash Alternative is 185p (the former being based on the middle market quotation for British Land shares of 137p at the close of business on 28th January, 1985 derived from The Stock Exchange Daily Official List). On 28th January, 1985, the price of Stylo Ordinary shares was 172p, which compares with a price of 168p on 21st January, 1985, the day before the Tender Offer was announced (in each case based on the middle market quotation at the close of business derived from The Stock Exchange Daily Official List) and the price of 88p paid by British Land on 10th September, 1984, when it bought 795,000 Stylo Ordinary shares.

STYLO ORDINARY SHAREHOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR PROFESSIONAL ADVISERS IMMEDIATELY AS TO THE MERITS OF THE TENDER OFFER.

Yours faithfully,
 for MORGAN GRENFELL & CO. LIMITED
 D. J. EWART
 Director

Further copies of the Form of Tender may be obtained from and any enquiries should be made to:-

Hill Samuel Registrars Limited,
 6 Greencoat Place,
 London SW1P 1PL
 01-628 4321

Morgan Grenfell & Co. Limited,
 New Issues Department,
 21 Austin Friars,
 London EC2N 2HB
 01-588 4545 ext. 2294

L. Messel & Co.,
 P.O. Box 521,
 1 Finbury Avenue,
 London EC2M 2OE
 01-377 0123 ext. 4493

The Directors of British Land are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

UK COMPANY NEWS

UK and Americas lift Lonrho to £135m

Lonrho, the international trading group, lifted pre-tax profits by 20 per cent from £113.3m to a record £135.4m in its 75th year of operation and Mr R. W. Rowland, the chief executive, says the trend has continued into the current period.

The result was largely attributable to the performance of subsidiaries in the UK and the Americas, where profits advanced by over 23 per cent and 55 per cent respectively.

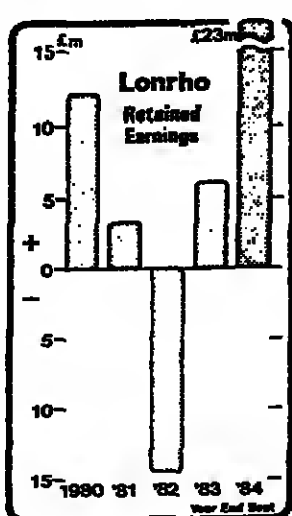
Mr Rowland yesterday increased his beneficial holding in Lonrho to a total of 45m shares (17.1 per cent), through the £12m purchase of an additional 660,968 shares at 182p each.

The shares last night closed up 1p at 180p.

Turnover for the 12 months to September 30 1984, was little changed at £2,376m, against £2,365m, excluding associates. Pre-tax results included associates' contributions up from £33m to £47.5m. After tax of £36.1m (£36.7m) and minorities, attributable profits climbed by 35 per cent from £40.6m to £55m.

Earnings per 25p share are stated ahead from 15.5p to 20.9p. The dividend total is 2p higher at 11p net, with a final of 6.5p and an interim of 1p is announced for the current year.

The group's share of results of House of Fraser have been accounted for as an associate. Lonrho's 29.99 per cent invest-



balances at the year end standing at £128m. These increased by the receipt of £106m in November following the sale of the investment in House of Fraser and a bond issue in Germany.

Net assets per share increased by nearly 22 per cent to 241p, against 198p.

While still maintaining its investments in Africa, the group has been expanding in the UK, Europe and the Americas. The directors believe this has resulted in a significantly well balanced business, with profit contribution from these three areas now accounting for 47 per cent of total profits.

The group's hotel and casino divisions substantially increased their profitability in the year, with Princess Properties International performing particularly well. A large proportion of group capital expenditure during the period has been spent on upgrading and expanding these operations.

UK manufacturing companies also had a very good year, with greatly improved results being achieved by the Firstel Group, Lonrho Textiles and George Outram. Some group manufacturing companies in Africa, however, have been affected by reduced demand in local markets, but there are already signs of some improvement in the current year.

The traditional activities of agriculture and mining continue



Sir Edward de Caux, the chairman of Lonrho.

to improve. In August, when reporting interim pre-tax profits up to £50m (£43.4m), the group said that traditionally the second half had been appreciably better than the first and it was confident that 1984, as a whole, would be bigly satisfactory.

Pre-tax profits of Willoughby's Consolidated, a subsidiary of Lonrho, fell from a restated £720,345 to £641,627 over the year to September 30 1984. The dividend was halved to 5p net. The company is a rancher and landowner.

See Lx

S & N in £52.2m placing

By Gordon Cramb

Smith & Nephew, the medical and hygiene products manufacturer, said yesterday it was financing the \$7.9m purchase of Affiliated Hospital Products of the U.S. by a placing of new S & N shares.

The 23.2m shares issued represent 6.86 per cent of the UK group's enlarged capital. They have been placed with institutions at 225p which, after commissions, will provide S & N with 225p a share or £52.2m in all.

Last month S & N agreed to buy 72.7 per cent of AHP from United Industrial Corporation and launched a cash tender offer for the remainder of the company, which is quoted on the American Stock Exchange.

It confirmed yesterday that payment to United Industrial would be in the form of a \$45.7m promissory note, bearing interest at 14 per cent and with the principal due in instalments from the sixth to 10th year.

Mr John Rennecks, finance director, said the cash raised from the placing would be deposited in a dollar investment account. "We will be locked into dollars, but we believe that over 10 years that is a sensible course."

The amount of the minority in AHP so far tendered had been quite small, he added. "These are early days, and we understand that a large proportion has come into the hands of known arbitrageurs, who will want to wait until the last minute."

The tender will expire immediately before completion of the deal, expected around February 26. All the arrangements are conditional on approval by S&N shareholders.

Lyle calls for £6.7m to aid recovery

By Charles Batchelor

Lyle Shipping, the loss-making Glasgow shipping line, plans to carry out a £6.7m rights issue as part of a financial reconstruction intended to restore the company to an even keel.

The rescue has been agreed after several months of negotiations with Lyle's bankers, headed by Bank of Scotland. Three years of losses forced a management reshuffle, the loss of 70 jobs and a rescheduling of the company's debt.

Mr David Clark, finance director, said: "We have had to take some very unpleasant decisions. We now have our

affairs in order, but there must be an improvement in freight rates to guarantee our long term future."

Lyle's merchant bankers, Hill Samuel yesterday completed the underwriting of the issue of 28 new 5p shares at 121p per share for every five 25p shares already held. Lyle's shares returned from their three-day suspension to trade at 13p—23p down on their pre-suspension price.

The underwriting was carried out by a group of 20 institutions, half of them existing shareholders and half new investors, according to Mr Clark. Shareholders will be asked to approve

the rights issue and other changes at a meeting on February 25.

Lyle disclosed an attributable loss of £6.1m for the six months ended June 30 1984, but new methods of accounting for exchange rate movements disguised a significant improvement in the operating results of its shipping operations, it said.

Shipping losses fell to £1.9m in the first half of 1984 from £4.4m in the same 1983 period. In the whole of 1984 the shipping loss is expected to be £5.5m compared with a loss of £7.8m in 1983.

Exchange losses and provisions for the year as a whole will amount to a further £12.5m. However, the firmness of the dollar will increase the sterling value of the Lyle fleet while the rescheduling of significant repayments due on dollar loans will after December 1988 will ease the £12.5m loss. The company will not have a material adverse effect on cash flow.

The rights issue has become necessary because of a decline in shareholders' funds from £28m at the start of 1984 to a deficit at December 1984. Over the same period net borrowings rose from £16m to £34m.

Philip Swinested, chairman of SDI, said that Warrington's style of service operation could also be applied to SDI's products and client base in Europe. In particular, he said, a bank of individual customer software solutions towards products and financial services.

A further deferred consideration of £40m will be payable in cash if either Warrington's 1985 profits exceed \$4.75m or its 1986 profits exceed \$4.97m.

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Systems Designers expands into U.S.

By Alison Hegan

Systems Designers International's shares were marked up 80p to 850p yesterday following an announcement of its expansion into the U.S. The systems consultancy group is buying Warrington, a privately owned concern which offers software packages on a service basis to banks.

SDI is funding the deal through an issue of £23.4m worth of shares. Mr Ed Warrington, chairman of Warrington, and his family trust will retain £4.5m worth of shares; the remainder will be offered to SDI shareholders.

In addition, SDI is raising \$5.4m to fund new equipment, software development, and further investment in technology. In all, the acquisition and funding involve a rights issue of 6.25m shares for existing holders. The basis is two-for-five at 435p, realising £27.2m net of expenses.

Last June, SDI acquired Systems Programming for £10m. This broadened its geographical market in Europe and its product base.

The two companies have merged and the profitability of Systems Programming has improved. For the year to December 1984, the directors estimate a 45 per cent increase in pre-tax profits to £2.9m on turnover of about £29.2m. An intended final dividend of 1.2p net will take the total dividend to 1.7p (1.2p).

Warrington is of a similar size to SDI and in the year to October 1984 it achieved an adjusted profit of \$32m on turnover of \$17m. It has achieved an average compound rate of 45 per cent annual profit growth over the last five years.

SDI will have access to Warrington's client base in the U.S. Warrington's principle service, a bond online trading system, is used by more than 125 banks.

Philip Swinested, chairman of SDI, said that Warrington's style of service operation could also be applied to SDI's products and client base in Europe. In particular, he said, a bank of individual customer software solutions towards products and financial services.

A further deferred consideration of £40m will be payable in cash if either Warrington's 1985 profits exceed \$4.75m or its 1986 profits exceed \$4.97m.

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Blundell-Permoglaze hit by tight margins and Irish problems

VERY HEAVY pressure on margins and losses in its Irish division have hit the results of paint manufacturing group Blundell-Permoglaze Holdings.

For the year ended October 31 1984 sales have risen by £1.76m to £27.14m but profit before tax has fallen from £2.04m to £1.84m. The dividend is held at 7p net per share.

The trend through the year shows that the second half profit has fallen from £1.59m to £835,000, and is even worse than the directors were expecting. At the last annual meeting they looked for extra market share through price cutting. Blundell has responded selectively and while prices have generally covered new material increases, they have fallen short of offsetting the increasing level of overheads. The most bruised areas seem to be on the manufacturing side, a key outlet, and local authority contracts. On top of this the Irish division has incurred losses of £0.8m, because of the recession. At this stage there is no evidence to suggest that conditions on the ground are improving, all of which has prompted the company to review overheads. The plan is to transfer Scottish production to the Hull factory, move some group services out of London and streamline the sales and administrative departments. But this may not be enough to restore the growth trend this year. The shares fell 9p to 137p, where the historical p/e is 12.2 and the yield 7.5 per cent.

After tax £385,000 (£746,000) net of prior years' adjustment £131,000 (£43,000)—and minority losses £5,000 (profits £42,000), the attributable profit for the year comes out at £851,000 (£1,256m) for earnings of 10.5p (18.1p) per share.

Total consideration for the sale of the industrial site is due in phases, the last being on December 1. However, the disposal has given rise to a write-off of £385,000 after tax, and this is included in total extraordinary debits of £482,000.

Espley sells two Belgian properties for about £7m

By Michael Cassell, Property Correspondent

Espley Tyas, the property group which has been purchased by Colson, is thought to have raised around £7m via the sale of two development properties in Belgium.

The sale of properties held by Espley, a subsidiary of Espley since 1982, forms part of the asset disposal programme put in hand by Mr Ronald Aitken, who became chairman of Espley last September.

Codic has sold its 2,200 sq metres office project on the Rue de Luxembourg, in the financial district of Brussels, for £871,000 (£1.4m). The building, which

will be completed in the summer has been purchased by Colson, the West German insurance group which intends to occupy most of the property itself.

Also sold was 250 Boulevard du Souverain, a 6,600 sq metres office project being developed on the outskirts of Brussels, to Essochem. No financial details of the transaction are being provided by Espley but market sources in Brussels indicate the price is approaching \$5m.

Healey & Baker and Richard Ellis acted for Codic in both deals.

Dividends announced...

Current payment...

Associates Fisheries...

Espley Tyas...

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ US\$ stock. § Unquoted stock.

Lonrho has achieved record profits in its 75th operational year

THE TREND CONTINUES INTO THE CURRENT YEAR

R W Rowland, Chief Executive

Dear Shareholders,

Your Company has achieved record profits in 1984, its seventy-fifth operational year, largely due to the performance of subsidiaries in the United Kingdom and the Americas. Earnings per share have increased by a substantial 35 per cent and the total dividends for the year are the highest ever. The trend continues into the current year.

The Group balance sheet continues to strengthen with gross assets increasing to over £2 billion at the year end, including cash balances of £126 million which increased by the receipt of £166 million in November following the sale of our investment in House of Fraser and a bond issue in Germany. This resulted in total net borrowings, excluding those relating to our confirming businesses, decreasing from 30 per cent in 1983 to 21 per cent of gross assets.

Net assets per share have also increased by nearly 22 per cent to 241 pence per share.

Whilst still maintaining our investments in Africa, we have been expanding in the United Kingdom, Europe and the Americas which has, we consider, resulted in a significantly well balanced business, with profit contribution from these three areas now accounting for 47 per cent of total profits.

The hotel and casino divisions have substantially increased their profitability in the year with the Princess Properties International Group performing particularly well. A large proportion of the Group's capital expenditure during the year has been spent on upgrading and expanding these divisions.

I am glad to report that our manufacturing companies in the United Kingdom have also had a very good year, with greatly improved results being achieved by the Firsteel Group, Lonrho Textiles and George Outram. Some of our manufacturing companies in Africa have, however, been affected by reduced demand in local markets, but there are already signs of some improvement in the current year.

Our traditional activities of agriculture and mining continue to improve. We are the largest commercial food producer in Africa and, through well managed companies, have been able not only to supply local markets with produce but also to earn valuable foreign exchange for the countries concerned through the export of agricultural products not in demand locally. It is in this manner that we have been able to make a positive contribution to the alleviation of the plight of many people in the areas affected by drought.

You will already be aware that we disposed of our investment in House of Fraser in November for a cash consideration of £138 million and retained the right to receive a gross dividend of £2 million. This investment was acquired at a cost of slightly under £67 million, thereby producing, I am sure you will agree, a handsome return even without taking account of the £25 million dividend income received over the years.

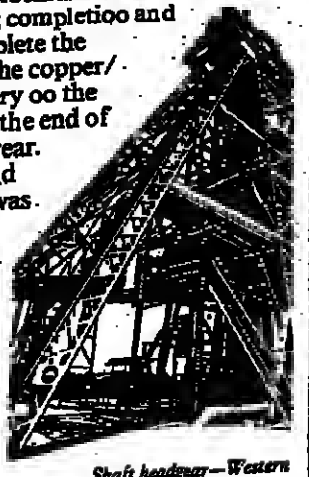
Since the sale we have acquired a 6.3 per cent shareholding in House of Fraser. With our knowledge of the business we considered our purchases, at around 300 pence per share, to be an attractive investment. We have also been before the Monopolies Commission and the outcome of their deliberations will have a direct bearing on our future policy regarding House of Fraser.

It was with sadness that we learned that Lord Duncan-Sandys was intending to stand down as Chairman of your Company after many years. Sir Edward de Cann, who has been acting Chairman for the past year, has accepted the Board's unanimous offer of the Chairmanship. However, I am sure you will be pleased to know that Lord Duncan-Sandys has accepted the position of President and will, therefore, remain with your Company. Finally, I would like to thank all employees worldwide for their hard work, loyalty and enthusiasm, without which we would not have been able to report such fine results this year.

MINING AND REFINING

Our platinum operations had a successful year with record output and profits. Production expanded to 235,000 ounces of platinum group metals in the year from 134,000 ounces only three years ago, and we have started a two year programme to increase output by a further 35,000 ounces per year. In addition, construction of our new plant to refine rhodium, ruthenium and iridium is now nearing completion and we will complete the erection of the copper/nickel refinery on the mine site by the end of the current year.

Group gold production was again well maintained at the 400,000 ounce per year level and profitability has increased.



Shaft headframe—Western Platinum, Marikana

Apart from other expansion programmes, a major increase in production is planned at the Ashanti gold mine in Ghana using funds from a consortium led by the International Finance Corporation.

The first of two large shaft systems to exploit the extensive gold reserves of Eastern Gold Holdings, the major new mine administered by The Anglo American Corporation, is nearing completion and underground development has commenced. We continue to have a 36 per cent shareholding in this property.

Significant improvements in profits from bituminous coal and anthracite mining have recently been forthcoming as a result of strengthening demand.

In equal partnership with Atlantic Richfield and Shell, we have been awarded a concession by the Bahamian Government for offshore oil and gas exploration covering some 2.4 million acres.

AGRICULTURE

Despite a lower crop yield than in the previous year, due to the lowest level of rainfall in over a decade, our tea growing company in Malawi achieved by far the highest profit ever recorded as a result of strong tea prices.

The expansion of the factory at Mindali has been completed, one year ahead of schedule.

Production at our seven sugar estates in Malawi, Mauritius, South Africa and Swaziland increased to 426,000 tonnes during the year and overall profitability increased.

The main area of the Group's expansion in Zambia is in the agricultural sector, where Kalangwa Estates, one of the largest producers of agricultural goods in the country, has made significant progress growing vegetables for export. The company continues to supply a large range of dairy and other produce for the home market.

Despite a third successive year of drought our agricultural activities in Zimbabwe achieved profit growth. The policy of strictly controlled stocking levels and continuing good ranch management has resulted in



Cattle—East African Tanning Extract Co., Kenya satisfactory results from the ranches where 14,000 head of cattle were sold in the year. Revenue from wattle and coffee sales benefited from the strong U.S. dollar with 6,158 tonnes of wattle extract being exported and coffee production increasing.

At East African Tanning Extract in Kenya, prolonged periods without rain affected crop yields. It continues to be



Tea estates—Malawi

a major exporter of wattle extract and its production of mushrooms during the year amounted to nearly 300 tonnes.

We are currently investigating suitable agricultural opportunities in Tanzania, and it is hoped that we may enter into a joint venture in the near future.

HOTELS

The Princess Hotel Group has exceeded last year's record profits by 50 per cent, with a particularly strong performance from the hotels in Mexico.

The Acapulco Princess achieved occupancy levels in excess of 90 per cent during the first half of the year and continues to attract both tourist and conference trade with its fine facilities which include two golf courses, five swimming pools and conference rooms capable of handling groups of up to 2,000 people.

Phase three of the major renovation plan for the Hamilton Princess in Bermuda was completed in January, substantially improving the facilities at this hotel.

The Princess Casino in the Bahamas was opened in October 1983 and in its first year of operation has firmly established itself in the casino market.

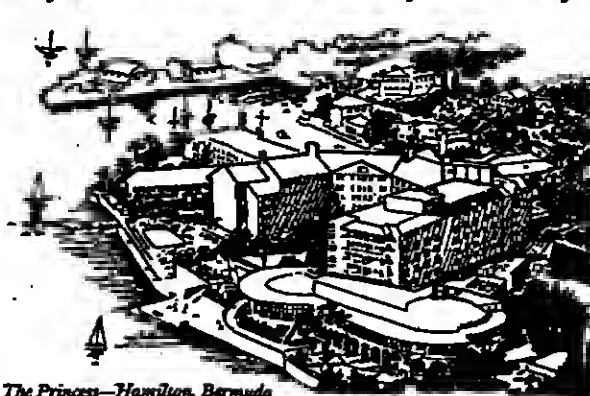
The Metropole Group of Hotels has had a highly successful year, with the Birmingham, Blackpool and Brighton hotels returning record profits.

The Group's hotels in the United Kingdom handled over one thousand conferences in the period under review, thus maintaining their position as the leading exhibition and conference group in the country.

Major improvements were made to several of the Metropole hotels.

Record occupancies were achieved by all hotels with our new hotel in Blackpool doing particularly well, reaching an average occupancy of 73 per cent in its second full year of operation.

The casino division has also had a very satisfactory year. It was the first full year of operation at new premises for Crockford's Club, which has proved immensely successful.



The Princess—Hamilton, Bermuda

Jetta, were successfully introduced to the market and are already outselling their predecessors.

The company's prestige marque, Audi, also continued to make excellent progress.

The Group is also the sole importer for M.A.N. and Volkswagen commercial vehicles, and this part of the business reported a further improvement in sales performance.

Dutton-Farshaw has maintained its position as the fourth biggest retailer of Austin Rover vehicles within the United Kingdom and sold almost 19,000 BL vehicles.

Jack Barclay maintained its position as the world's leading distributor of Rolls-Royce and Bentley cars.

have penetrated the bond market for prospectus and bond printing sold as one package. They are the only printers within a single organisation who can offer the printing of prospectuses, bonds and official advertisements under strict security conditions.

Harrison & Sons celebrated the 50th year of holding the Royal British Post Office stamp printing contract and are the world's largest commercial stamp producers.

Holmes McDougall undertook a co-publishing venture with the EEC for a book outlining the role of the EEC to be distributed to schools in the United Kingdom.

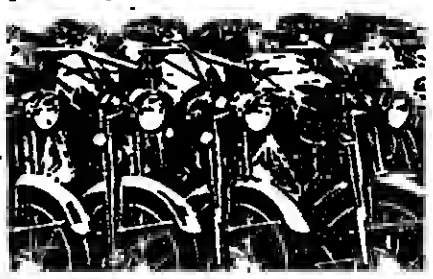
Stamp by Harrison—Eight Wycombe

Stamp by Harrison—Eight Wycombe

Stamp by Harrison—Eight Wycombe

ENGINEERING

The Firsteel Group in the United Kingdom has produced very pleasing results with profits almost double those of 1983. The successful introduction of new products played a major part in increasing the activity levels of these companies by 50 per cent over the previous year.



Yamaha motorcycles assembled by John Holt—Nigeria

The engineering and process plant companies continue to be affected by the recession. Despite this, most of these companies traded profitably. Tollemache successfully completed the refuse transfer station at Blackpool and Lightfoot Refrigeration was highly profitable.

There has been a substantial reorganisation of our stainless steel sinks division, which achieved a comfortable profit compared to losses last year.

Our water treatment contracting company, S.E.E. in Belgium, has made progress with major contracts in Africa and the United Arab Emirates.

The division of Holts in Nigeria, which assembles and sells generators based on Rolls-Royce and Deutz engines, had a very good year.

Our engineering company in Zimbabwe, W. Dahmer, exported a fleet of buses to Zambia during the year and continues to dominate the Zimbabwe market with its fine, robust vehicles, as much as 70 per cent of the constituent parts of which are manufactured locally.

Vitrex Paints in Zambia achieved an increase in profitability in the year with demand for its products far exceeding its production levels.

WINES AND SPIRITS

Whyte & Mackay continued to pursue its policy of long term brand development.

Whyte & Mackay Special is now judged to be the ninth biggest brand of all spirit types in the United Kingdom and sixth in England. During the year an important association was formed with IDV (UK) Ltd., who now represent Whyte & Mackay in various major English outlets.

Our French wine interests have had another satisfactory year with recent vintages from Châteaux Rausan-Segla and Smith-Haut-Lafitte receiving some particularly favourable comment.

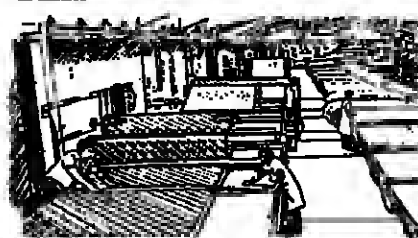
In Kenya we commenced production and distribution of traditional African beer during the year and we also continue to operate 18 breweries elsewhere in partnership with African Governments and Municipalities.

The Group now has three bottling plants in Nigeria and a plant in Zambia, principally handling Pepsi-Cola and Coca-Cola in the respective countries.



Underground cellar—Château Smith-Haut-Lafitte, Bordeaux

TEXTILES



Cutting fabric—Lonrho Textiles, Crumlington

Lonrho Textiles made substantial progress, achieving its first ever trading profit. The Accord Shops, Brentfords and the recently acquired John Wilson Housebold Fashions, sell through over 250 retail high street and shop-in-shop operations, making Lonrho Textiles one of the largest bedlinen retailers in the United Kingdom.

The factory at Crumlington is by far the largest vertically integrated one-site textile operation in the United Kingdom, processing 250 miles of wide-width fabric per week.

Overall, David Whitehead and Sons in the United Kingdom did well during the year, despite some problems with the jersey knitting line in John Barnes. Our household textile company, Besco Baron, had a reasonable year, recovering strongly in the second half.

David Whitehead in Zimbabwe had a poor year caused largely by a weak domestic market which led to the company exporting more of its products at lower profit levels.

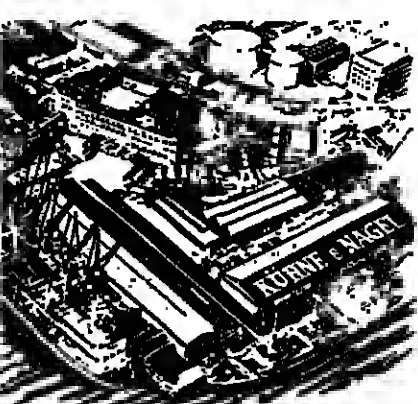
David Whitehead in Malawi performed creditably.

A large proportion of Malawi's agricultural produce is now packed in "Producers" manufactured by Blantyre Netting. Productivity increased by 10 per cent in the sack section, which has been operating virtually non-stop throughout the year.

KÜHNE & NAGEL

Kühne & Nagel, who employ nearly 7,500 people, have had another excellent year, particularly in their Western Hemisphere group where profits in Canada and the United States have increased considerably. Trading in Germany, the United Kingdom, the Far East and Australia also progressed satisfactorily.

In addition to their transport connected activities, including freight forwarding, warehousing and ship handling, stevedoring and port agencies, Kühne & Nagel have set up an insurance brokerage group handling both marine and non-marine business.



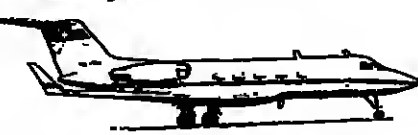
Kühne & Nagel terminal facilities—Rotterdam

Two warehousing companies were acquired in the United States, whilst a container terminal in the port of Rotterdam is currently under construction.

Kühne & Nagel are continually endeavouring to expand their spread of agencies throughout the world.

FINANCE, GENERAL TRADE AND AIRCRAFT

The Group's property investment companies have had another very successful year.



Gulfstream III—one of the Group's operated aircraft

The programme of selective sales has continued but, notwithstanding these, the overall value of the portfolio at the end of the year has increased to in excess of £66 million. The annual net rental income, both in the United Kingdom and in France, has also substantially improved.

The international financing and confirming operations of Balfour Williamson were again seriously affected by world trading conditions, but prospects for 1985 are considerably brighter.

Tradewinds Airways became Britain's first scheduled all-cargo carrier in November 1983, and scheduled services to Toronto and Chicago operated during the year.



Southern Watch and Clock, who are suppliers to the horological trade, had a very satisfactory year and continue to be a consistently good profit earner for the Group.

Baumano Hiode, the Group's cotton merchanting company, traded well despite unsettled market conditions.

Yours sincerely,
Tim Rowland

1984 AT A GLANCE

	1984	1983
Turnover	£2,367m	£2,356m
Profit before tax	£135.4m	£113.2m
Profit attributable to shareholders	£55.0m	£40.6m
Earnings per share	20.9p	15.5p
Dividends per share	11.0p	9.0p
Net assets per share	241p	198p

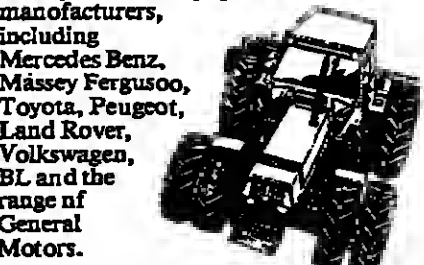
The seventy-sixth Annual General Meeting of Lonrho Plc will be held at the Great Room, Grosvenor House, Park Lane, London, W.1. on Thursday, 28th March, 1985.

The International Sporting Club was transferred to its new premises in Mayfair on 18 July, and the opening was a huge success. The building has been

Western Machinery & Equipment introduced a new range of forage harvesters manufactured by Taarup which have achieved the No. 1 position in the United Kingdom market for this equipment and Watveare has made spectacular progress in sales of Deutz-Fahr combine harvesters.

Lonrho has been appointed United Kingdom co-ordinator for the range of vehicles produced by the Spanish motor manufacturer SEAT.

In many African countries we continue to be agents and distributors for a number of major vehicle and agricultural equipment manufacturers, including Mercedes Benz, Massey Ferguson, Toyota, Peugeot, Land Rover, Volkswagen, BL and the range of General Motors.



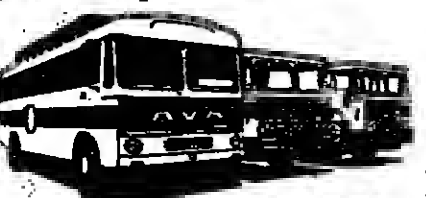
Warehouses, Deutz-Fahr distributors—Wiltshire

PRINTING AND PUBLISHING

There has been a significant resurgence in the fortunes of the Glasgow Herald and Evening Times. Circulations of both papers improved steadily and advertising volumes have also shown very encouraging increases.

The Observer continued to maintain its position in the quality Sunday newspaper market, with six of its journalists winning major awards for their work.

Our 22 provincial newspapers, published by Scotts & Universal Newspapers, increased circulation levels whilst most of our competitors were showing varying levels of decline. Greenaway & Harrison, in conjunction with Harrison & Sons,



Bus and truck built by W. Dahmer & Co.—Zimbabwe

The company has maintained its position as the leading importer of European cars with a market share of 5.5 per cent. Two important new Volkswagen models, the Golf and

1909 75 YEARS 1984

LONRHO

Lonrho Plc, Cheapside House, 138 Cheapside, London, EC2V 6BL.

The text is taken from the Chief Executive's Review contained in the Report and Accounts for the year ended 30 September, 1984, which will be published in late February. Copies will be available from the Secretary, Lonrho Plc, Cheapside House, 138 Cheapside, London, EC2V 6BL.

SUMMARY OF RESULTS

for the 52 weeks to 30 September 1984

	1984	1983
Turnover	31,325	32,597
Profit before Tax	1,990	2,817
Profit after Tax (earnings)	1,182	1,626
Earnings per share	10.0p	13.7p
Dividends per share	4.5p	4.5p
Net Assets per share	124.7p	121.7p

Results for Coachbuilding and Building & Shopping, adversely affected by increasing demand and severity of competition. Other activities increased output and profitability. Expansion planned in the vehicle fitters and small passenger vehicles activities.

One for one scrip issue during year, dividend maintained.

Coach orders at similar level to last year and early trading in other activities reasonably good. Board views future with confidence.

Copies of the Annual Report are available from the Secretary, Plaxtons (GB) plc, Castle Works, Scum Road, Scarborough YO1 4DQ.

PLAXTONS
The Great British Coach Builders

LONDON W1
FREEHOLD
FOR SALE

6,920 sq. ft.

Office/Residential Building
with car parking

SAVILLS

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Telephone: 01-488 8844 Telex: 263796

Hampton & Sons

6 Arlington Street, St James's, London SW1A 1RB
Telephone 01-493 8222 Telex 35341

Concentric

RECORD SALES LAST YEAR - 16 PERCENT
UP WITH A 23 PER CENT INCREASE IN
PRE-TAX PROFITS-AND
"AN ENCOURAGING START FOR 1985"

The annual general meeting was told that, as forecast, the group had made an encouraging start to the new financial year and was very much on course for 1985.

RESULTS - YEAR ENDED 30th SEPTEMBER

	1984	1983
Sales	2000	2000
Net assets	51,460	44,173
Profit before tax	11,907	12,695
	1,424	1,314
	Pence	Pence
Earnings per share	6.36	5.92
Dividends per share (gross)	4.97	4.73

Copies of Annual report and accounts are available from: Concentric Plc, Celisford Road, Sutton Coldfield, West Midlands B75 7AZ

Grindlays Eurofinance B.V.

U.S.\$ 100,000,000

Guaranteed Floating Rate Notes 1994

Guaranteed on a subordinated basis by



Grindlays Bank p.l.c.

In accordance with the provisions of the Notes, notice is hereby given that for the interest period 1st February, 1985 to 1st August, 1985 the Notes will bear an interest rate of 8 1/2% per annum.

The interest payable on the relevant Interest Payment Date, 1st August, 1985 against Coupon No. 3 will be U.S.\$446.22.

Agent Bank
Grindlays Bank Ltd

BARCLAYS

BARCLAYS OVERSEAS
INVESTMENT COMPANY B.V.

U.S.\$ 200,000,000

Guaranteed Floating Rate Notes due 1995
Convertible until January 1988 into
9 1/2% Guaranteed Bonds due 1995

Notice is hereby given that the Rate of Interest for the Interest Period from 31st January, 1985 to 31st July, 1985 is 9 1/2% per cent. per annum and that on 31st July, 1985 the amount of interest payable in respect of each U.S.\$ 5,000 principal amount of the Notes will be U.S.\$227.82; and in respect of each U.S.\$ 10,000 principal amount of the Notes will be U.S.\$455.64.

The right to convert during this Interest Period is not exercisable from 11th July, 1985 to 31st July, 1985.

Barclays Merchant Bank Limited
1st February, 1985 Agent Bank

UK COMPANY NEWS

Alexander Nicholl on British Land's novel tender approach to Stylo shareholders
No magic formula to wrest control

"IT MAKES no difference to me whether I have eight million shareholders with one share each or one shareholder with eight million," says Mr Arnold Ziff, chairman of shoe retailers Stylo.

In a sense, he can afford to treat with such bravado the tender offer which the company is facing from Mr John Ritblat's British Land property group. For Mr Ziff and his family control Stylo mainly through management shares, which can be passed only to male heirs or to other management shareholders, and which carry 43.5 per cent of voting power with only 4.6 per cent of the equity.

If British Land's tender succeeds — the closing date is Tuesday — it will obtain between eight and nine million shares, giving it a maximum, including shares already owned, of 50.9 per cent of Stylo's equity but only 28.9 per cent of voting rights.

British Land would then be able to treat Stylo for accounting purposes as a subsidiary, but would have no say in its management unless it found a way to wrest control from the Ziff family.

Mr Ritblat has clearly pondered possible way to put additional pressure on the Ziffs, but says plainly that he has no "magic elixir" that would unlock control.

Such are the peculiarities of the deal that Stylo's shareholders are facing a more complex decision than in a conventional takeover.

If they tender their shares, they will get cash or British Land shares to the value of up to 185p, based on a 130p price of British Land shares.

At yesterday's close, British Land's 138p price valued the share alternative at 182p. This would be considerably below the value of Stylo's 300 High Street shop properties, which mostly trade in the Stylo and Barratt chains. The directors believe turnover is now over £25p per share compared with last year's professional valuation of 285p. The latest estimate is not endorsed by an independent valuer, as it would have to be in a regular

debenture. CPS says that pre-tax profits of the newly acquired Phoenix were \$343,000 (\$203,000) on turnover of \$8m (\$15.85m) in the year ended September 30 1984. Net assets amounted to \$630,000.

The 1984 fall in turnover resulted from a rapid decline in the values of IBM 303X CPUs in which Phoenix traded actively. The directors believe turnover will resume growth when others become available.

The directors feel a U.S. presence will allow CPS more active contact with U.S. manufacturers to source products suitable for European distribution. Also, CPS will have a base to establish distribution of products developed by CPS Data Systems, the U.S. subsidiary.

Mr Geoffrey Sewell, chairman, describes 1984 as a milestone in the growth of CPS.

Mr Sewell says that in the first quarter of the current year CPS Computer Systems Information Systems and CPS Leasing continued to make good progress. CPS Data Systems continued to experience problems of the second half of last year.

Overall the outlook for the year is encouraging but the first half will be affected by the problems experienced in CPS Data Systems. The group is well placed to take advantage of IBM's continuing market strength.

comment

The slightest whiff of bad news is enough to send the USM electronics sector into a dead end. These days warnings about supply problems at CPS Computers accordingly sent the shares down 20p to 135p, despite more than doubled taxable profits. The problem was confined to the data systems division, where dealers had scaled back IBM PC sales towards the end of the year in anticipation of the launch of the AT, which has yet to arrive in any number. That in turn depressed orders for third party add-on equipment, CPS's highest margin business. The dollar's strength, meanwhile, was steadily squeezing margins in the rest of the group. CPS's experience highlights the risks of being dependent on one supplier, even if it is IBM.

The Phoenix acquisition does nothing to change that, though it does let CPS into the U.S. market and give a greater exposure to the upper end of the IBM range. And a promised reduction in Phoenix's salary bill — 71 per cent of trading profits last year — will certainly improve its pre-tax margins. Around £2.2m pre-tax should be in reach for CPS this year, leaving the share on a fair multiple of 15.1 after a 15 per cent tax charge.

Blue Arrow launches into contract cleaning field

BY TERRY GARRETT

Blue Arrow, the USM quoted contractor, has launched its new contract cleaning market with the purchase of two private companies for £3.4m.

The deals, to be financed entirely by new shares, will increase the equity base by 37.5 per cent and virtually double the historic profits base.

With organic growth from its existing operations and a recovery in its small holiday tours subsidiary outside forecasts suggest the enlarged group could be on its way to £1.5m pre-tax for the year to October 1985.

For Mr Tony Berry, Blue Arrow's chairman, the acquisitions mark a return to his roots. Until 1961 he was the finance director of Brezgreen (Holdings), a leading industrial and commercial cleaning group.

The companies being purchased are Cleandustrial (Holdings) and Sibley-Kleen, both office and industrial cleaning contractors.

Cleandustrial services an area from London to Preston through a London head office and nine regional offices. In the year to October 1984 its profits were £226,000 on turnover of £4.8m. Net tangible assets amounted to £387,000.

Sibley-Kleen, the smaller of the two, is based in Luton and covers a region from London to Sheffield through regional offices. For the year ended March 1984 its profits amounted to £32,000.

The two purchases will give a "significant immediate operational" while offering opportunities for some realisation to improve profitability.

Further acquisitions in contract cleaning are anticipated although the next major purchase is likely to be in the employment agency market. That could be completed within the next few months and would almost certainly be much larger deal than the combined purchases announced yesterday.

Of the 2.45m shares being issued to the vendors, 788,129 have been placed by Lloyd Bank International at a price of 135p per share. The vendors have agreed to hold on to the balance for at least a year and not dispose of more than a half of them in the following six months.

An extraordinary meeting is being called to allow a general meeting on February 15.

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takeover bid. The tenderoffer falls outside the orbit of the City takeover code.

Shareholders who hang on to their Stylo shares will be invested in a company which is promising revitalised performance after years of unimpressive profits and dividends. The prospects for the shares will be largely determined by the outcome of British Land's offer.

If fewer than 8m shares are tendered, British Land's offer will lapse and its interest in Stylo is clearly likely to cease. The share price could be expected to behave as it did after the failure of Harro Queensway's attempt to take over Stylo last February — it fell as low as 38p.

If British Land's tender succeeds, shareholders still with Stylo have already been told that British Land would not increase its share offer in any subsequent bid.

It could increase the cash alternative to reflect a rise in British Land's share price. Conversely, British Land could not offer less than the value of its share offer determined at Tuesday's closing. A further bid by British Land, however, is by no means a certainty.

History suggests that British Land will succeed with the current tender. Harris Queensway won acceptance covering 51.5 per cent of the equity. But because it was making a full bid, it was thwarted by the Ziffs. Mr Ziff, raising a closed fist, says now that "the family were as tight as that."

Mr Ziff, a prominent Leeds businessman who is also chairman of the quoted property

group Town Centre Securities, is taking the British Land offer more seriously. Shareholders are being lobbied intensely by telephone, and Mr Ziff has been making the rounds in the City with his 32-year-old son Michael, Stylo's managing director.

Stylo's case, in addition to its argument about asset value, is that it has shaken up its management, identified a market and is poised to improve its trading dramatically with the help of a programme to refurbish some of its shops. Profits for the year ending tomorrow are estimated

at £2.25m, double the previous year, and the dividend is being doubled to 4.5p.

Such promises from Stylo, which also operates Pennywise discount stores and manufactures golf clubs, contrast with a dull image caused by persistent low profits and margins. "We have not performed as well as we should have done," Mr Ziff acknowledges.

British Land, now a fast-growing property company, has spent the past decade recuperating from near-collapse. Mr Ritblat clearly wants Stylo because of its High Street property portfolio.

In the year ended March 31 1984, British Land's pre-tax profits rose 17 per cent to £2m and net assets per share rose 13 per cent to 187p.

Whatever the outcome of the offer, it will serve to highlight the two-tier voting structure maintained by a dwindling handful of companies.

Costomorph and London Week-end Television recently announced plans to remove voting restrictions. Stylo shows no sign of doing the same, but the presence of a majority shareholder may at least make the Ziffs feel uncomfortable.

Dunlop's shares had little intrinsic value and despite of seeking a massive further cash investment from shareholders Dunlop "incredibly" had not given an estimate for the 1984 result, BTR said.

Dunlop's net worth may have been all but eliminated, BTR said.

"We view the outright rejection of our offer as illogical, incomprehensible and indefensible," BTR added.

"You must realise that the current market price is highly artificial, buoyed up as it is by uninformed speculation in a narrow market."

BTR said it had the necessary management expertise and experience to "Dunlop's" business in contrast to the new Dunlop board, headed by Sir Michael Edwards.

Dunlop's shares fell 1p to 37p yesterday while BTR rose 4p to 65p. This values the BTR offer at 22.17p per Dunlop share compared with the price put on Dunlop's own shares of 14p per share.

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Clyde bid for Petrolex gets a swift rejection

BY GORDON CRAMP

Clyde Petroleum, the independent oil company, yesterday made a bid for Petrolex, a smaller counterpart traded on the USM.

The 58p a share offer was immediately rejected by Petrolex, which has a range of institutional shareholders, including the Prudential and investors in industry with about 11 per cent each.

Petrolex has exploration interests in a number of offshore blocks as well as a 0.25 per cent share in Forties Field production. Clyde, which put its U.S. interests up for sale five weeks ago, has stakes in the Balmoral Field and Wytch Farm among others.

Dr Colin Phipps, chairman of Clyde, yesterday described Petrolex as "not very large for us, but strategically important."

He said Clyde was facing a "cash flow hump" in 1985 as new development came on stream, while the Petrolex problem was the reverse. An acquisition of this sort would help.

Clyde's exploration costs could be offset by contrast, if Petrolex stayed independent, its shareholders will almost certainly have to dip into their pockets, in that period.

The bid is conditional on the consent of Clyde's bankers under the terms of a loan agreement.

Dr Phipps held out the possibility of an improvement in the offer if Clyde was able to inspect the Petrolex books. However, Petrolex said it had received no prior approach and still had no specific invitation to talks. It stressed a recent upsurge in oil prices, but said it was not in a position to sell.

Clyde is being advised by Singer and Friedlander, and Petrolex by Morgan Grenfell. Petrolex shares jumped 14p to 64p yesterday while Clyde dipped 2p to 59p.

MINING NEWS

Echo Bay boosted by 50% output rise at Lupin mine

BY GEORGE MILLING-STANLEY

AN INCREASE of 50 per cent in gold production from the Lupin mine in Canada's Northwest Territories helped lift 1984 net earnings of Echo Bay Mines by £314.9m to £323.8m (£16m). The fourth quarter produced net earnings of £96.8m, up from £65.8m.

Gold production from the Lupin mine increased from 118,025 oz in 1983 to 115,334 oz, and the company received an average price of U.S.\$380, compared with U.S.\$421.

Echo Bay said the mine's cash break-even cost, excluding financing charges and exploration, had fallen to U.S.\$189 from the previous year's U.S.\$283.

Mr John Zagarick, president and chief executive, explained that the mill expansion project, completed in November 1983, contributed to both the higher output and the reduction in costs. The average ore production rate last year was 1,485 tons per day, against the 1983 rate of 976 tons, and the fourth quarter saw daily throughput of 1,632 tons.

Mr Bob Calman, chairman, added that the U.S.\$27m proceeds of Echo Bay's recent issue of 3.6m shares in Canada, the U.S. and Europe would be used to repay the loan taken out to help finance the purchase of Copper Range earlier this month.

Copper Range has a 50 per cent interest in the Round Mountain mine which came into operation in 1977 and produces some 120,000 oz of gold a year at cash costs of around \$250 per ounce.

Mr Nemesis Yabut, mayor of Makati, has threatened to have Benguet's Pesos 10.4m office building in the municipal capital of Benguet closed down if the demand is not met. In that event Benguet is believed to be ready to go to court.

Within days of winning one legal battle with the central government, Benguet Corporation, one of the biggest copper and gold producers in the Philippines, could be facing another with the authorities of the municipality of Makati, in Manila, reports Leo Gonzaga.

The authorities are demanding Pesos 707,780 (£37,000) in property taxes which they say are unpaid. Benguet denies this claim.

Benguet denies unpaid tax claim

comment

The slightest whiff of bad news is enough to send the USM electronics sector into a dead end. These days warnings about supply problems at CPS Computers accordingly sent the shares down 20p to 135p, despite more than doubled taxable profits. The problem was confined to the data systems division, where dealers had scaled back IBM PC sales towards the end of the year in anticipation of the launch of the AT, which has yet to arrive in any number. That in turn depressed orders for third party add-on equipment, CPS's highest margin business. The dollar's strength, meanwhile, was steadily squeezing margins in the rest of the group. CPS's experience highlights the risks of being dependent on one supplier, even if it is IBM.

BTR renews attack on Dunlop

By Charles Batchelor

BTR, Sir Owen Green's broadly-based conglomerate, renewed its attack on Dunlop Holdings yesterday in the document detailing BTR's £33m takeover bid.

BTR said that Dunlop's proposed £142m refinancing package would involve massive dilution for shareholders and a precarious investment in an unprofitable company with high borrowings and a most uncertain future.

Dunlop's shares had little intrinsic value and despite of seeking a massive further cash investment from shareholders Dunlop "incredibly" had not given an estimate for the 1984 result, BTR said.

Dunlop's net worth may have been all but eliminated, BTR said.

"We view the outright rejection of our offer as illogical, incomprehensible and indefensible," BTR added.

"You must realise that the current market price is highly artificial, buoyed up as it is by uninformed speculation in a narrow market."

BTR said it had the necessary management expertise and experience to "Dunlop's" business in contrast to the new Dunlop board, headed by Sir Michael Edwards.

Dunlop's shares fell 1p to 37p yesterday while BTR rose 4p to 65p. This values the BTR offer at 22.17p per Dunlop share compared with the price put on Dunlop's own shares of 14p per share.

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THE PROPERTY MARKET BY MICHAEL CASSELL

Tax shelter groups set up City rents poised for further growth Ladbrooke in Washington Valuation vagaries put to the test

THE CITY OF LONDON this week spawned two new property development companies designed to give investors income tax relief under the government's business expansion scheme.

Only one other property company—Central City Conversions—has used the BES to establish itself and, just in case the Chancellor plans any changes to the scheme, both newcomers have fixed closing dates for share subscriptions a few days before the Budget on March 15.

Lockton Developments is being sponsored by Guinness Mahon, the merchant bankers, who are offering up to 7.5m shares at £1 each. The other new arrival is London and Bristol Developments, sponsored by Johnson Fry, the licensed dealer in securities which also supported Central City's share offer last year.

Bruce Ureell, chairman of Lockton and managing director of Guinness Mahon, says the new company will have a "risk free" approach to life and an "open mind" about the type of developments it will undertake. No project commitments are being made until the results of the offer is known. A minimum £750,000 is required and investors are limited to a maximum £40,000 each.

Lockton will be run by the Guinness Mahon Property Managers team and, although it is not telling potential investors much about its development plans, it says it will be aiming

for 20 per cent development profits and intends to restrict borrowings to 33 per cent of development costs. Guinness Mahon Property will take an annual fee of 2.5 per cent of net assets as well as 20 per cent of profits achieved on completion or sale. Debenham Tewson and Chinnocks will review all projects.

London and Bristol, which wants to raise up to £25m, will be run by Ronald Berger and Peter Davidson through London and Paris Properties, their own, well-established group. The company intends to specialise in developing small units for owner-occupation along the Thames Valley and a £3m project is planned for a site in central Bristol. L and B wants to see a minimum 25 per cent return on funds employed. Borrowings

should be restricted to two-thirds of development costs. London and Paris will be taking 3 per cent of development costs as a fee and their main reward will come through rights attached to their holding of "A" ordinary shares. They do not take effect until 1990 but will give the directors up to 35 per cent of any increase in net assets.

Lockton says it does not expect to pay dividends for at least five years and London and Bristol says it will do so when there are sufficient earnings available. Both companies have useful assets behind them and not a little property expertise. To obtain full tax advantages, investors will have to stay with their investments for five years—which should give the newcomers ample time to prove their worth.

● Crowgap has let Ash House, Staines, its £11.5m office building, developed with Clerical, Medical and General Life, to Dow Chemicals. Weatherall Green and Smith achieved close to the asking rent of £12 a sq ft for the 32,000 sq ft building. Smith Meisack acted for Dow.

● Barclays Bank Trust and Rush & Tompkins have won detailed consent for their £7m shops and offices project in Queens Square, Brighton. Stiles Harton Ledger are letting agents.

● The Stock Exchange is to rent a 13,000 sq ft computer centre at Greenwich View,

the Docklands enterprise scheme carried out by Robert Ogden-Indeson. Developments. Rent is £5 a sq ft and Healey & Baker are letting agents for the 185,000 sq ft development.

● Pepper Angliss and Yarwood is linking with George Comfort, the New York real estate company, to expand its U.S. business.

● The letting of Ebbsgate House, Swan Lane, City, to Barclays Bank at a rent of £3m a year has been confirmed by Daniel Smith, letting agents. The 128,000 sq ft scheme was developed by a Prudential subsidiary.

TOP CITY of London office rents, which have shown little growth for two years, could rise by up to 15 per cent during 1985, according to Richard Ellis, the agents and surveyors.

Prime rents in the centre of the Square Mile stand at around £30-£33 a sq ft and the market now expects these to rise to £35 a sq ft or more as the recent upsurge in demand for office accommodation continues.

In the increasingly popular and important fringe locations around the City top rents have reached £20 a sq ft and are still growing.

At Greycoat-Rosehaugh's Finsbury Avenue development, for example, final lettings are being completed and Warburgs is understood to be paying over £22 a sq ft. Close by, a large chunk of Triton Court, Royal London Mutual's 200,000 sq ft scheme at Finsbury Square appears to have been let. Asking rents range from about £18 to £20 a sq ft.

In the last 18 months, the differential between the highest office rents in the fringes and those in the City centre appears to have narrowed from as much as 50 per cent to 30 per cent.

In its annual review of the City market, Ellis says that office take-up last year reached about 3.3m sq ft, the highest level achieved since it started records 10 years ago. With just over 3m sq ft of floorpace coming on to the market,

demand exceeded supply for the first time since 1980.

The strong demand for office accommodation has come mainly from the financial services market; although the insurance broking and professional sectors have also been major space-takers. Clive Arding, an Ellis partner, says demand continues to centre on top-quality buildings, most of which have been located in fringe locations.

"If some of the latest buildings had been in the core, then we could have seen higher prime rental growth. There is no doubt that the potential for growth in top rents has, to some extent, been dissipated by the new emphasis on the fringes."

This year, Ellis calculates that take-up will reach around 3m sq ft, about the same volume of floorpace expected to arrive on the market. Of this total supply, about 1.7m sq ft will be in new speculative schemes, with around 1m sq ft of that already spoken for.

According to Arding: "In the short-term, the supply of top quality, efficient office space is going to be limited in both the inner core and on the fringes. "If the City planners maintain a hard line on conservation, substantial office schemes in the centre will become very difficult, standards of accommodation will become unacceptable and rents could even out very substantially."

Ladbroke in Washington Valuation vagaries put to the test

LONDON & LEEDS Corporation, the U.S. property subsidiary of Ladbroke, is buying the freehold of 1200 19th St, Washington. The purchase and improvement of the 250,000 sq ft office building will cost \$54m (£35.5m) and London and Leeds expects net rental income of \$5.5m, showing an initial yield of 12 per cent.

Peacocks Property has assigned its head leasehold interest in London's Churchill Hotel to the parent company of the Churchill group for a £9.25m premium. The lease, from Fortnum Family Settled Estates, has 31 years to run.

Commercial Union has let St. Georges West, its \$5,500 sq ft office building in Wimbledon to Brown and Root (UK) for £11m a year. Donaldsons and Stuart and Parker acted for the tenant, which also occupies the adjoining CU development.

Cadbury Schweppes, represented by Edward Erdman, has sold for \$6.5m its head leasehold on Clivo House, Connaught Place, Marble Arch, to Postel, advised by Jones Lang Wootton. Rank Organisation occupies the 12,200 sq ft building at £254,000 a year, showing Postel an initial yield of 5.5 per cent.

Imry Property has paid \$4.25m for the long lease on 54-60 Baker Street, London. The offices and shops produce about £390,000 a year in rent.

VALUATION is an essential component in any measurement of property performance and yet it represents an inconsistent and subjective analysis which embraces the personal opinions and whims of the surveyor.

Though the conclusion, put to the Institute of Actuaries this week, will hardly have come as a surprise to the surveying profession, some startling examples of just how imprecise the valuation process can be must give cause for concern.

David Hager, an actuary with Bacon and Woodrow, and David Lord, a surveyor with Pilkington Properties, are calling for greater research into the spread of values formulated by valuers. They say valuation "is neither an art nor a science" and that its success relies extensively on personal knowledge and experience.

The two men said that informal discussions with surveyors led them to believe that the range in valuations for any given property would extend no further than 5 per cent either side of the average value established.

To test the theory, however, the yoked 10 surveyors to provide valuations on two properties. A "control value" was established by a surveyor familiar with each location and then the others, all of whom had experience of asset valuation.

tions for pension funds, went to work.

Hager and Lord said the results took them "completely by surprise." Valuations on the first property, a refurbished office in the Thames valley let on a new, 25-year lease, brought valuations ranging from £630,000 to £780,000—against a control figure of £725,000.

The variation in estimated valuations on the second property, a prime, high street shop let to a public company, was even greater. The surveyors came up with figures which ran from £450,000 to £655,000, compared to the control sum of £505,000.

Hager and Lord now want to see if their findings hold across the industry. They emphasise that it would be wrong to draw too many conclusions at this stage but they reckon "that it may be worthwhile to be cautious about the accuracy of property valuations until more extensive studies are available."

Given that properties will always have to be valued independently by different individuals in different circumstances, valuations will rarely conform. As Hager and Lord told the Institute: "A valuation remains an expression of personal opinion." But as the two men themselves point out, the effect of even a small difference in valuation can have a marked effect on returns.

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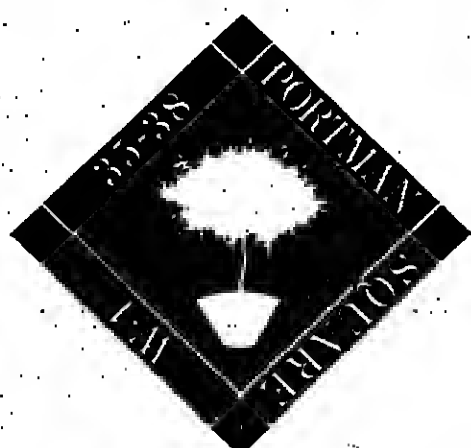
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SECTION III - INTERNATIONAL MARKETS
FINANCIAL TIMES

Friday February 1 1985

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WALL STREET

Funding
plan curbs
enthusiasm

THE PROSPECT of a record \$19bn Treasury quarterly funding programme next week subdued the Wall Street financial markets yesterday. Also curbing enthusiasm in the stock market was an unexpected dip of 0.2 per cent in the December economic indicators reported by the Commerce Department, writes Terry Byland in New York.

Bond prices fell by 1/4 point or so, but the stock market steadied from its early falls.

A further rise in federal funds brought a sharp jump in Treasury bill rates. Some credit market analysts believe that the Federal Reserve will not ease credit policies further at present. Federal funds have edged higher this week, and the market expected a further increase in M1 money supply, which is already close to the top of the Fed's monitoring range.

The stock market opened with a fall of seven points, but quickly steadied. A sharp rise in crude oil futures in the wake of the Opec pricing decision brought profit-taking in airline stocks, but gains in the oil majors. Retail issues turned lower despite strong gains in January sales figures, which may reflect

price-cutting. Across the broad range of the market, price falls were slight.

Stock prices fell as when the Federal funds rate rose to 9 per cent in mid-afternoon, and the market was 9 Dow points off at one point. A determined rally, however, brought a closing Dow Jones industrial average of 1,288.77, a mere 1.11 down on the day. Turnover increased as the market recovered to lift the day's total of shares traded to 133m.

The improvement in oil shares brought out the speculators again. The favoured issue was Unocal, which jumped 3/4 to 41 1/4 in heavy trading after a market newswire suggested that Mr T. Boone Pickens, the oil industry entrepreneur, was preparing a \$10bn takeover offer. Phillips Petroleum, still awaiting the outcome of the proposed restructuring plan agreed with Mr Pickens, gained 3/4 to 48 1/4. Schlumberger was 3/4 up at 53 1/4.

Exxon added 3/4 to 47 1/4, while Atlantic Richfield, at 45 1/4, and Texaco, at 34 1/4, were 3/4 better. In airlines, however, American, at 37 1/4, and United, at 45, lost 3/4 as analysts assessed the outlook for world oil prices after the Opec conference.

IBM rallied from early weakness to show a fall of only 3/4 at 136 3/4. NCR lost 1/4 to 28 1/4, but heavy buying pushed Sperry Corp ahead 1/4 to 49 1/4.

The 1984 results season in chemicals was rounded off by Dow Chemical, 3/4 off at 82 1/4, despite higher earnings. Union Carbide shed 3/4 to 38 1/4.

Among the retailers, K mart was 3/4 up at 40 on increased sales in January, while similar news brought only a 3/4 rise to 41 for F.W. Woolworth. J.C. Penney was a dull spot, losing 1/4 to 43 1/4.

Heavy buying pushed Merrill Lynch, the leading market firm, to 33 1/4, a net 1/4 up. Also active was Financial Corp. of America, unchanged at \$11 after disclosing that it would double loss reserves.

Paper industry results had Scott Paper 3/4 off at 35 1/4, Hammermill 3/4 higher at 47 1/4 and St Paul 3/4 up at 52. McGraw Hill, the publisher, dipped 3/4 to 54 1/4 on warning of diluted profits ahead.

Better earnings lifted Wm Wrigley, chewing gum leader, 3/4 to 55 1/4 and Federal-Mogul, the transmission manufacturer, 3/4 to 38 1/4.

In a weak bond market, the new 30-year treasury bond, which will replace the former benchmark long bond, traded on a when-issued yield of 11.01 per cent, up from 10.98 per cent on the previous evening.

With federal funds at 9 per cent, and no sign of intervention by the federal reserve, three month Treasury bill rates were 24 basis points higher.

LONDON

Sedate rally
from early
low levels

A MORE sedate trading session in London stock markets ended yesterday with bond and share prices rallying from earlier lows.

The FT Ordinary share index was down 8.1 at noon but recovered progressively to close only a net 0.6 off at 986.1. Government securities, meanwhile, opened higher, often at the enhanced levels reached the previous evening, and drifted slightly easier before hardening again late in the day.

Many gilt-edged quotations opened around a point higher before easing back with the early trend in sterling. Subsequently, the tone began to harden again and prices settled slightly lower on the day.

In the stock market light profit-taking was a factor initially, but the main reason for the mid-session easiness was lack of follow-through support. FT index constituent Becham ran into sustained selling and fell to 860p on reports on Japanese price-cutting. After-hours, however, a company statement on the 1985 Japanese price review dispelled fear and Becham rallied strongly to close only 2p down at 873p.

Chief price changes: Page 30; Details, Page 31; Share information service, Pages 32-33

AUSTRALIA

STRONG institutional end-of-month buying support enabled Sydney to close firm after a day of heavy trading. The All Ordinaries index added 9 to 773.4.

U.S. demand was seen for metals issues after the rises in gold and copper prices. Local support was evident for industrial stocks after the latest consumer price inflation figures showed a rise of 1.4 per cent for the December quarter. CSR gained 16 cents to A\$3.06 after institutional demand, while BHP put on 12 cents to A\$5.30 in the wake of monthly production figures.

Coles slipped 3 cents to A\$4.13 after announcing that it had acquired 9.9 per cent of Woolworth's issues capital. Woolworths gained 3 cents to A\$3.15.

SINGAPORE

INCREASED buying interest took shares broadly higher over a wide front in Singapore and the Straits Times industrial index added 11.91 to 833.51 in heavy trading.

Among actively traded issues, Multi-Purpose added 10 cents to S\$1.05, and OCEC firm 25 cents to S\$9.35, but Pan-Electric shed 2 cents to S\$2.92.

Geating gained 15 cents to S\$5.55, Cycle and Carriage 14 cents to S\$3.12, Weaners 12 cents to S\$4.08 and Hong Leong Finance the same amount to S\$3.30.

Hotels, properties and commodities also rose, with City Development 6 cents ahead at S\$1.36, Singapore Land 10 cents higher and Dunlop Estates 5 cents firmer at S\$1.48.

SOUTH AFRICA

OPENING gains were extended in Johannesburg as the bullion price edged higher and the rand steadied after its recent surge.

Vaal Reef put on R5.25 at R169, while Harties rose 75 cents to R9.50. Among mining financials, Anglo American added 53 cents to R22.78 with diamond share De Beers 50 cents ahead at 9.30. Platinum stocks saw Rustenburg adding 40 cents to R18.80.

Industrials closed mixed with no clear direction. Barlow Rand was 10 cents firmer at R9.70.

CANADA

PROFIT-TAKING eroded some of the gains in Toronto made during Wednesday's record-breaking session, although trading continued its active pace.

Gold mining stocks outperformed the rest of the market with investors taking heart from the firmer international bullion price. Campbell Red Lake added 33¢ to C\$24.4 and Dome Mines advanced 33¢ to C\$11.4.

Montreal also traded lower.

EUROPE

Focus shifts
from oil to
bank rates

THE FOCUS of investor attention on European bourses shifted yesterday from oil prices to bank rates. Increases in key German and Dutch rates, although generally expected, unsettled buying sentiment and took prices off their peaks.

In Frankfurt, the Bundesbank decision to raise the Lombard rate by 1/4 point to 6 per cent was announced with only 30 minutes of trading left. The result was that the mid-day calculation of the Commerzbank index, 12.7 higher at 1,161.3, was more reflective of the early strength of foreign and domestic buying than the sombre mood that closed the session.

The central bank left the 4.5 per cent discount rate unchanged and announced a securities repurchase tender to add money market liquidity at a fixed rate of 5.7 per cent.

A number of strong gains were nevertheless achieved. Siemens surged DM 9.70 to DM 510.20, another peak for the year after Wednesday's late dividend news. Thyssen's return to profitability after a three-year sojourn in the red was awarded another DM 2.90 rise to DM 63.9, just shy of its 12-month high.

Metallgesellschaft, however, eased DM 2 to DM 234 after further disruption of its Papua New Guinea mining joint venture.

Bond sentiment was not dented by the Lombard rate rise and demand pushed prices higher by up to 50 basis points. The Bundesbank sold DM 87.7m in paper after Wednesday's sales of DM 67.2m.

Prices in Amsterdam retreated slightly after the central bank announced its 1/4 point rise to 5.5 per cent in the bank rate, but the ANP-CBS General index still finished at an all-time high of 196.8, a gain of 1.8 points.

Royal Dutch continued to gain after the Opec agreement and its FI 1.20 rise took it to a new high of FI 187.40, although Unilever shed 10 cents to FI 335.

Banks were particularly active with strong British demand detected. NMB jumped FI 3.50 to FI 172 after touching FI 174 and ABN rose an early FI 2.2 but settled FI 3 easier on the day at FI 357.

Profit-takers entered the fray at the opening bell in active Zurich trading that nevertheless took the Swiss Bank industrial index to yet another peak with a 0.2 point gain to 414.5.

Swissair jumped Sfr 10 to Sfr 1,130, another new high for the year, ahead of its mixed traffic load factor and freight tonnage figures.

Bank Leu's confident profit performance earned it a Sfr 20 gain to Sfr 3,850, while Union Bank shed Sfr 15 to

Sfr 3,710 and Swiss Bank added Sfr 1 to Sfr 373, a 12-month high.

Nestlé continued to make progress, this time with a Sfr 10 advance to Sfr 6,140. Hoffmann-La Roche succumbed to the profit-takers with a Sfr 25 fall to Sfr 9,050.

A calm tone in Paris allowed prices to drift lower. Elf, caught between the Opec news and the start-up of production at two of its 75 per cent-owned Italian offshore gas fields, slipped FFf 2.10 to FFf 231.90.

Bouygues surrendered FFf 7 to FFf 741 ahead of its strong profits results. Radiotelephone scored one of the best gains of the day, a FFf 11 leap to FFf 288.

Nervous trading in Milan took Fiat L30 higher to L2,400 and holding company Centrale L60 up to L2,870. Bastogi-IRIS weakened LI to L183 and insurer Generali sank L405 to L39,195.

Telefonica produced the main excitement in a moderately higher Madrid. The communications monopoly announced a one-for-eight rights issue and rose 0.2 points to 128.7 per cent of nominal value. Banks made steady progress.

A narrowly mixed Brussels saw heavy volume in market leader Petrofin, which held steady at Bfr 8,500, and foreign buyers gave a boost to active Stockholm trading. Most blue chips benefited as Electrolux topped the active list with a Skr 8 jump to Skr 277.

TOKYO

New peak
prompts
concern

A BUOYANT mood continued in Tokyo yesterday, propelling the Nikkei-Dow average over 12,000 briefly for the first time, writes Shigeo Nishiwaki of Jiji Press.

The market soon showed its true character, however. The issues bought still centred on biotechnology and lower-priced incentive-backed stocks, and some leading brokerage houses began to worry that prices had risen too far.

The 225-issue market indicator ended 31.68 higher at 11,992.31, record close. In the morning it hit 12,042.22, up 61.50. Trading swelled from Wednesday's 502m shares to 561m, but losses outpaced gains 390 to 353, with 157 issues unchanged.

Despite the overnight setback on Wall Street, buying did not ease and biotechnology-related stocks and some high-tech stocks were traded heavily. After the rising streak, however, some leading brokers, fearing prices of biotechnology stocks could collapse at any time, started to advise their customers to sell speculative issues.

Yamanouchi Pharmaceutical was the day's third busiest stock, with 17.08m shares changing hands. It scored a Y330 rise at one point but closed at Y3,800, up Y150. Asahi Chemical Industry gained Y40 to Y715, the day's second most active stock with 20.59m shares traded.

Led by Yamanouchi's surge, most other biotechnology stocks advanced. Daiichi Sankyo added Y60 to Y2,250 and Meito Sangyo shot up Y350 to Y7,100. Mochida Pharmaceutical scored a daily maximum allowable gain of Y500 to Y13,800. Conspicuous losers among biotechnology issues were Fujisawa Pharmaceutical, down Y30 to Y1,240, and Kaken Pharmaceutical, down Y110 to Y3,780.

Expectations that demand for magnetic metal powder for compact disc makers will increase pushed up Dowa Mining by Y48 to Y640 and Nissan Chemical by Y15 to Y378. Dowa Mining topped the most active list with 35.52m shares traded.

Nippon Gakki remained popular, reflecting rising semiconductor demand and added a sizeable Y180 to Y2,200. Meidensha Electric went up Y27 to Y600.

In the absence of incentives, investors retreated to the sidelines in the bond market. Yields are at their lowest since late last year and institutional investors need encouragement, such as a cut in the U.S. official discount rate, to purchase bonds actively. The yield on the barometer 7.3 per cent government bonds due in December 1993 rose to 6.45 per cent from Wednesday's 6.470 per cent.



HONG KONG

INSTITUTIONAL bargain hunting buoyed Hong Kong shares yesterday after the recent setbacks, although some late speculative selling trimmed the day's gains.

The Hang Seng index added 29.98 to 1,365.02, recouping much of the 40-point slide seen in recent days.

Bank of East Asia added 80 cents to HK\$24.50 as it announced marginally improved net profits for 1984.

Hutchison Whampoa added 30 cents to HK\$20 amid market speculation that the company had sold its 21 per cent stake in Cross-Harbour Tunnel, which operates the underground motorway between Hong Kong Island and Kowloon.

Cross-Harbour Tunnel ended unchanged at HK\$11. Neither company had information about such a sale.

Hongkong Telephone added 5 cents to HK\$61; it announced a 22 per cent rise in unaudited 1984 group profit.

Notice of Redemption

International Standard Electric Corporation

6% Sinking Fund Debentures Due 1986

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 1, 1966, under which the above described Debentures were issued, \$480,000 principal amount of the said Debentures of the following distinctive numbers has been drawn by lot for redemption on March 1, 1985 (the "sinking fund redemption date") through the operation of the Mandatory Sinking Fund provisions at 100% of the principal amount thereof (the "redemption price"), together with accrued interest to the redemption date:

\$500 COUPON DEBENTURES BEARING THE PREFIX LETTER M

656	708	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577
661	706	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577
662	706	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577
663	706	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577
664	706	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577
665	706	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577
666	706	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577
667	706	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577
668	706	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577
669	706	724	814	876	957	1060	1207	1225	1248	1250	1312	1402	1437	1468	1577

\$1,000 COUPON DEBENTURES BEARING THE PREFIX LETTER M

184	1987	2112	4167	6374	6523	6808	6812	6874	6882	11291	11683	12693	12832	13168	13518
721	2294	2113	4168	6375	6524	6809	6813	6875	6883	11292	11684	12694	12833	13169	13519
322	2261	2115	4169	6376	6525	6810	6814	6876	6884	11293	11685	12695	12834	13170	13520
563	2262	2116	4170	6377	6526	6811	6815	6877	6885	11294	11686	12696	12835	13171	13521
844	2263	2117	4171	6378	6527	6812	6816	6878	6886	11295	11687	12697	12836	13172	13522
569	2315	2126	4177	6433	6562	7007	6821	6986	6988	11352	11748	12804	12940	13214	13544
570	2316	2127	4178	6434	6563	7008	6822	6987	6989	11353	11749	12805	12941	13215	13545
735	2317	2128	4179	6435	6564	7009	6823	6988	6990	11354	11750	12806	12942	13216	13546
1424	2357	2130	4181	6436	6565	7010	6824	6989	6991	11355	11751	12807	12943	13217	13547
1471	2358	2131	4182	6437	6566	7011	6825	6990	6992	11356	11752	12808	12944	13218	13548
1484	2359	2132	4183	6438	6567	7012	6826	6991	6993	11357	11753	12809	12945	13219	13549
1507	2361	2133	4184	6439	6568	7013	6827	6992	6994	11358	11754	12810	12946	13220	13550
1518	2362	2134	4185	6440	6569	7014	6828	6993	6995	11359	11755	12811	12947	13221	13551
1521	2363	2135	4186	6441	6570	7015	6829	6994	6996	11360	11756	12812	12948	13222	13552
1523	2364	2136	4187	6442	6571	7016	6830	6995	6997	11361	11757	12813	12949	13223	13553
1524	2365	2137	4188	6443	6572	7017	6831	6996	6998	11362	11758	12814	12950	13224	13554
1525	2366	2138	4189	6444	6573	7018	6832	6997	6999	11363	11759	12815	12951	13225	13555
1526	2367	2139	4190	6445	6574	7019	6833	6998	7000	11364	11760	12816	12952	13226	13556
1527	2368	2140	4191	6446	6575	7020	6834	6999	7001	11365	11761	12817	12953	13227	13557
1528	2369	2141	4192	6447	6576	7021	6835	7000	7002	11366	11762	12818	12954	13228	13558
1529	2370	2142	4193	6448	6577	7022	6836	7001	7003	11367	11763	12819	12955	13229	13559
1530	2371	2143	4194	6449	6578	7023	6837	7002	7004	11368	11764	12820	12956	13230	13560
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Financial Times F

1941 Low Stock Price 1/2
 1942 Low Stock Price 1/2

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 3

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 3

Seis figures were unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year-to-date figures are based on the new share count. Dividends are annual dividends, unless noted, rates of dividends are annual distributions based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-leapling dividend. dld-called. e-new yearly high. f-previous yearly high. g-previous 52 weeks. h-previous 52 weeks dividend in Canadian funds, subject to 10% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid 1 year, omitted, deferred, in arrears or paid this year, an accumulative issue with dividends in arrears. k-new issue in the past 52 weeks. The high-low range begins with the start of trading. l-52 weeks. m-52 weeks. n-52 weeks. o-dividend rate declared or paid in preceding 12 months, plus stock dividend. p-stock split. Dividends begin with date of split. q-as sales. r-dividend paid in arrears. s-52 weeks. t-52 weeks. u-52 weeks. v-52 weeks. w-52 weeks. x-52 weeks. y-52 weeks. z-52 weeks. aa-52 weeks. ab-52 weeks. ac-52 weeks. ad-52 weeks. ae-52 weeks. af-52 weeks. ag-52 weeks. ah-52 weeks. ai-52 weeks. aj-52 weeks. ak-52 weeks. al-52 weeks. am-52 weeks. an-52 weeks. ao-52 weeks. ap-52 weeks. aq-52 weeks. ar-52 weeks. as-52 weeks. at-52 weeks. au-52 weeks. av-52 weeks. aw-52 weeks. ax-52 weeks. ay-52 weeks. az-52 weeks. ba-52 weeks. bb-52 weeks. bc-52 weeks. bd-52 weeks. be-52 weeks. bf-52 weeks. bg-52 weeks. bh-52 weeks. bi-52 weeks. bj-52 weeks. bk-52 weeks. bl-52 weeks. bm-52 weeks. bn-52 weeks. bo-52 weeks. bp-52 weeks. bq-52 weeks. br-52 weeks. bs-52 weeks. bt-52 weeks. bu-52 weeks. bv-52 weeks. bw-52 weeks. bx-52 weeks. by-52 weeks. bz-52 weeks. ca-52 weeks. cb-52 weeks. cc-52 weeks. cd-52 weeks. ce-52 weeks. cf-52 weeks. cg-52 weeks. ch-52 weeks. ci-52 weeks. cj-52 weeks. ck-52 weeks. cl-52 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Financial Times
MARKET REPORT
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Halt	1	223	223	223	223	223	+	+
Halt	1	193	223	223	223	223	+	+
Halt	1	2	2	2	2	2	+	+
Halt	1	308	74	74	74	74	+	+
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Cable	153	3	25	25	+	-	Dome	88	18	20	20	20	+	+	Mine	24	18	17	17	+	+

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**EQUITY GROUP
& SUB-SECTION**

- 1 CAPITAL GOODS (267)
- 2 Building Materials (231)
- 3 Contracting, Construction
- 4 Electrical (15)
- 5 Electronics (36)
- 6 Mechanical Engineering (46)
- 7 Metals and Metal Forming
- 8 Miscellaneous (201)
- 9 Other Industrial Materials
- 10 CONSUMER DURABLES (17)
- 11 Brewers and Distillers (2)
- 12 Food Manufacturers (201)
- 13 Food Retailing (12)
- 14 Health and Household Products
- 15 Leisure (23)
- 16 Newspapers, Publishing (1)
- 17 Packaging and Paper (14)
- 18 Pharmaceuticals (1)
- 19 Stores (45)
- 20 Textiles (19)
- 21 Telecommunications (3)
- 22 OTHER GROUPS (97)
- 23 Chemicals (17)
- 24 Computers (4)
- 25 Shipping and Transport (1)
- 26 Miscellaneous (61)
- 27 Telephone Networks (2)
- 28 INDUSTRIAL GROUP (4)
- 29 Drugs (2)

65 Insurance (Life) (9)

68	Merchandise Banks (12)
69	Property (52)
70	Other Financial (25)
71	Investment Trusts (105)
81	Mining Finance (4)
91	Overseas Traders (14)
99	ALL SHARE INDEX (7)

FIXED		The Jan 57
PRICE RANGES		
1 British Government		
2 3 years	11A	
3 5-15 years	126	
4 Over 15 years	132	
5 Irredeemables	143	
6 All stocks	125	
7 Schedules & Loans	186	
8 Preference	76	
9 All stocks	105	

LONDON STOCK EXCHANGE

MARKET REPORT

Late rally leaves equities little changed at end of more sedate trading session

Account Dealing Dates

Option

First Declared Last Account

Dealing Date

Jan 14 Jan 24 Jan 25 Feb 1

Jan 26 Feb 5 Feb 6 Feb 15

Feb 11 Feb 21 Feb 22 Mar 4

Mar 11 Mar 21 Mar 22 Apr 4

Apr 11 Apr 21 Apr 22 May 4

May 11 May 21 May 22 Jun 4

Jun 11 Jun 21 Jun 22 Jul 4

Jul 11 Jul 21 Jul 22 Aug 4

Aug 11 Aug 21 Aug 22 Sep 4

Sep 11 Sep 21 Sep 22 Oct 4

Oct 11 Oct 21 Oct 22 Nov 4

Nov 11 Nov 21 Nov 22 Dec 4

Dec 11 Dec 21 Dec 22 Jan 4

Jan 11 Jan 21 Jan 22 Feb 4

Feb 11 Feb 21 Feb 22 Mar 4

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Aug 11 Aug 21 Aug 22 Sep 4

Sep 11 Sep 21 Sep 22 Oct 4

Oct 11 Oct 21 Oct 22 Nov 4

Nov 11 Nov 21 Nov 22 Dec 4

Dec 11 Dec 21 Dec 22 Jan 4

Jan 11 Jan 21 Jan 22 Feb 4

Feb 11 Feb 21 Feb 22 Mar 4

Mar 11 Mar 21 Mar 22 Apr 4

Apr 11 Apr 21 Apr 22 May 4

May 11 May 21 May 22 Jun 4

Jun 11 Jun 21 Jun 22 Jul 4

Jul 11 Jul 21 Jul 22 Aug 4

Aug 11 Aug 21 Aug 22 Sep 4

Sep 11 Sep 21 Sep 22 Oct 4

Oct 11 Oct 21 Oct 22 Nov 4

Nov 11 Nov 21 Nov 22 Dec 4

Dec 11 Dec 21 Dec 22 Jan 4

Jan 11 Jan 21 Jan 22 Feb 4

Feb 11 Feb 21 Feb 22 Mar 4

Mar 11 Mar 21 Mar 22 Apr 4

Apr 11 Apr 21 Apr 22 May 4

May 11 May 21 May 22 Jun 4

Jun 11 Jun 21 Jun 22 Jul 4

Jul 11 Jul 21 Jul 22 Aug 4

Aug 11 Aug 21 Aug 22 Sep 4

Sep 11 Sep 21 Sep 22 Oct 4

Oct 11 Oct 21 Oct 22 Nov 4

Nov 11 Nov 21 Nov 22 Dec 4

Dec 11 Dec 21 Dec 22 Jan 4

FINANCIAL TIMES STOCK INDICES

	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Year
Government Secs.	80.00	79.80	79.40	79.20	78.80	78.30	77.80	77.30	76.80	76.30	75.80	75.30	74.80	74.30	73.80	73.30	72.80	72.30	71.80	71.30	70.80	70.30	69.80	69.30	68.80	68.30	67.80	67.30	66.80	66.30	65.80	65.30
Fixed Interest	82.70	82.50	82.10	81.70	81.30	80.90	80.50	80.10	79.70	79.30	78.90	78.50	78.10	77.70	77.30	76.90	76.50	76.10	75.70	75.30	74.90	74.50	74.10	73.70	73.30	72.90	72.50	72.10	71.70	71.30	70.90	70.50
Ordinary	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7	1986.7
Gold Mines	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5	449.5
Ord. Div. Yield	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38
Earnings Yield (Full)	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38	10.38
P/E Ratio (net) (1)	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97	10.97
Total Bargains (Est.)	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499	60,499
Equity turnover (m)	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27
Equity turnover (m)	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27	435.27
Shares traded (m)	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6	213.6

10 am 985.4, 11 am 982.5, Noon 978.5, 1 pm 973.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35.

Gold Mines 12/9/55. SE Activity 1974.

Latest Index 91-246 9028.

Nil-10.62.

† Corrected.

HIGHS AND LOWS S.E. ACTIVITY

	1984/85	Since Comp'n	Jan 30	Jan 29
Govt. Secs.	82.70	75.70	187.4	46.13
Fixed Int.	82.70	75.70	187.4	46.13
Ordinary	1986.7	75.70	187.4	46.13
Gold Mines	11.7	439.5	724.7	48.5

hams gave up 7 at 195p and

taking and shed 8 to 325p, but

W. H. Smith "A" fell 8 to 190p

after comment on the interim

figures.

In Electricals, Mairhead

factored a rise of 15 to 190p

following persistent buying

ahead of the preliminary figures,

due on February 21. Systems

Designers advanced 8p to 350p

on the news of the acquisition of

Warrior Associates and of a

proposed rights issue, but dis-

appointing annual results fell

CPS Computer 20 lower to 135p.

Leading Engineers passed 10p

relatively unimpeded session

but Vickers provided a note-

worthy exception, rising 13 to

235p on demand aroused by the

groups overseas earnings poten-

tial. Elsewhere, U.S. support

left Tace 18 higher at 335p and

Goring Kerr 40 dearer at 435p.

On revised speculative demand,

Maden gained 4 further to 254p

and Spear and Jackson 6 more

to 182p. Burgess Products rose

11 to 135p, but Babcock Inter-

national eased to 135p on a

broker's adverse circular. West-

land fell 9 to 225p, but a bid

resisted a helicopter problem in

the U.S.

Among Food Retailers, J.

Salisbury encountered profit-

taking and shed 8 to 325p, but

Tesco revised 4 to 231p and

Kwik Save moved up 8 to 125p.

Among other Foods, S. & W.

Beristford gained 6 to 175p on

vague rumours of a property

sale.

Among Hotels, Prince of

Wales gained 5 to 105p on the

disclosure that the Kuwait

Investment Office holds a 5.04p

per cent stake.

Hoskins and Horton rise

Apart from the fluctuations in

Beecham, prompted by talk of

cuts in drug prices in Japan,

leading miscellaneous indus-

trialists moved narrowly. Glaxo,

however, traded nervously

before settling only 1 down on

the balance at 412. Elsewhere,

Hoskins and Horton, the subject

of a contested bid between

London and Midland Industrial

Trust, Scottish Heritable Trust,

advanced 18 to 355p; London

Midland gained 7 further to

205p and SMI edged up 3 to 69p.

Bine Arrow responded sharply

to acquisition news with a rise

of 33 to 165p, but Mundell

Permeagel fell 9 to 137p on

disappointing preliminary

figures. Interest revived in Pen-

son, up 21 to 650p, while Powell

and had no intention of

parting with the

CHALLENGE
That's BTR

BRITISH FUNDS

1984-85 High Low Stock Price Div. Yield %

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

Five to Fifteen Years

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

Over Fifteen Years

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

Unrated

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

Index-Linked

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

CORPORATION BONDS

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

COMMONWEALTH & AFRICAN BONDS

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

LOANS

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

Public Board and Ind.

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

Financial

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

FOREIGN BONDS & RAILS

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

AMERICANS

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

AMERICANS—Cont.

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

CANADIANS

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

BANKS, HP & LEASING

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

RENTALS

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

Public Board and Ind.

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

Financial

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

FOREIGN BONDS & RAILS

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

AMERICANS

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

AMERICANS—Cont.

Table with 5 columns: Fund Name, High, Low, Stock Price, Div. Yield %

LONDON SHARE SERVICE

BEERS, WINES—Cont.

Table with 5 columns: Stock, Price, Div. Yield %

BUILDING, TIMBER, ROADS

Table with 5 columns: Stock, Price, Div. Yield %

GRAPERY & STORES—Cont.

Table with 5 columns: Stock, Price, Div. Yield %

ELECTRICALS

Table with 5 columns: Stock, Price, Div. Yield %

CHEMICALS, PLASTICS

Table with 5 columns: Stock, Price, Div. Yield %

ORAPRY AND STORES

Table with 5 columns: Stock, Price, Div. Yield %

BEERS, WINES & SPIRITS

Table with 5 columns: Stock, Price, Div. Yield %

Hire Purchase, Leasing, etc.

Table with 5 columns: Stock, Price, Div. Yield %

RENTALS

Table with 5 columns: Stock, Price, Div. Yield %

Public Board and Ind.

Table with 5 columns: Stock, Price, Div. Yield %

Financial

Table with 5 columns: Stock, Price, Div. Yield %

AMERICANS

Table with 5 columns: Stock, Price, Div. Yield %

Financial Times Friday February 1 1985

ENGINEERING—Continued

Table with 5 columns: Stock, Price, Div. Yield %

HOTELS—Continued

Table with 5 columns: Stock, Price, Div. Yield %

INDUSTRIALS (Misc.)

Table with 5 columns: Stock, Price, Div. Yield %

FOOD, GROCERIES, ETC.

Table with 5 columns: Stock, Price, Div. Yield %

HOTELS AND CATERERS

Table with 5 columns: Stock, Price, Div. Yield %

ENGINEERING

Table with 5 columns: Stock, Price, Div. Yield %

HOTELS AND CATERERS

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ENGINEERING

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HOTELS AND CATERERS

Table with 5 columns: Stock, Price, Div. Yield %

ENGINEERING

Table with 5 columns: Stock, Price, Div. Yield %

Table with 5 columns: Stock, Price, Div. Yield %

LEISUR

LEISURE—Continued	1984-85 High	Low	Stock	Price	% Chg	1984-85 High	Low	Stock	Price	% Chg	1984-85 High
132	132	132	Low	132	0	132	132	132	Low	132	0
133	133	133	Low	133	0	133	133	133	Low	133	0
134	134	134	Low	134	0	134	134	134	Low	134	0
135	135	135	Low	135	0	135	135	135	Low	135	0
136	136	136	Low	136	0	136	136	136	Low	136	0
137	137	137	Low	137	0	137	137	137	Low	137	0
138	138	138	Low	138	0	138	138	138	Low	138	0
139	139	139	Low	139	0	139	139	139	Low	139	0
140	140	140	Low	140	0	140	140	140	Low	140	0
141	141	141	Low	141	0	141	141	141	Low	141	0
142	142	142	Low	142	0	142	142	142	Low	142	0
143	143	143	Low	143	0	143	143	143	Low	143	0
144	144	144	Low	144	0	144	144	144	Low	144	0
145	145	145	Low	145	0	145	145	145	Low	145	0
146	146	146	Low	146	0	146	146	146	Low	146	0
147	147	147	Low	147	0	147	147	147	Low	147	0
148	148	148	Low	148	0	148	148	148	Low	148	0
149	149	149	Low	149	0	149	149	149	Low	149	0
150	150	150	Low	150	0	150	150	150	Low	150	0
151	151	151	Low	151	0	151	151	151	Low	151	0
152	152	152	Low	152	0	152	152	152	Low	152	0
153	153	153	Low	153	0	153	153	153	Low	153	0
154	154	154	Low	154	0	154	154	154	Low	154	0
155	155	155	Low	155	0	155	155	155	Low	155	0
156	156	156	Low	156	0	156	156	156	Low	156	0
157	157	157	Low	157	0	157	157	157	Low	157	0
158	158	158	Low	158	0	158	158	158	Low	158	0
159	159	159	Low	159	0	159	159	159	Low	159	0
160	160	160	Low	160	0	160	160	160	Low	160	0
161	161	161	Low	161	0	161	161	161	Low	161	0
162	162	162	Low	162	0	162	162	162	Low	162	0
163	163	163	Low	163	0	163	163	163	Low	163	0
164	164	164	Low	164	0	164	164	164	Low	164	0
165	165	165	Low	165	0	165	165	165	Low	165	0
166	166	166	Low	166	0	166	166	166	Low	166	0
167	167	167	Low	167	0	167	167	167	Low	167	0
168	168	168	Low	168	0	168	168	168	Low	168	0
169	169	169	Low	169	0	169	169	169	Low	169	0
170	170	170	Low	170	0	170	170	170	Low	170	0
171	171	171	Low	171	0	171	171	171	Low	171	0
172	172	172	Low	172	0	172	172	172	Low	172	0
173	173	173	Low	173	0	173	173	173	Low	173	0
174	174	174	Low	174	0	174	174	174	Low	174	0
175	175	175	Low	175	0	175	175	175	Low	175	0
176	176	176	Low	176	0	176	176	176	Low	176	0
177	177	177	Low	177	0	177	177	177	Low	177	0
178	178	178	Low	178	0	178	178	178	Low	178	0
179	179	179	Low	179	0	179	179	179	Low	179	0
180	180	180	Low	180	0	180	180	180	Low	180	0
181	181	181	Low	181	0	181	181	181	Low	181	0
182	182	182	Low	182	0	182	182	182	Low	182	0
183	183	183	Low	183	0	183	183	183	Low	183	0
184	184	184	Low	184	0	184	184	184	Low	184	0
185	185	185	Low	185	0	185	185	185	Low	185	0
186	186	186	Low	186	0	186	186	186	Low	186	0
187	187	187	Low	187	0	187	187	187	Low	187	0
188	188	188	Low	188	0	188	188	188	Low	188	0
189	189	189	Low	189	0	189	189	189	Low	189	0
190	190	190	Low	190	0	190	190	190	Low	190	0
191	191	191	Low	191	0	191	191	191	Low	191	0
192	192	192	Low	192	0	192	192	192	Low	192	0
193	193	193	Low	193	0	193	193	193	Low	193	0
194	194	194	Low	194	0	194	194	194	Low	194	0
195	195	195	Low	195	0	195	195	195	Low	195	0
196	196	196	Low	196	0	196	196	196	Low	196	0
197	197	197	Low	197	0	197	197	197	Low	197	0
198	198	198	Low	198	0	198	198	198	Low	198	0
199	199	199	Low	199	0	199	199	199	Low	199	0
200	200	200	Low	200	0	200	200	200	Low	200	0
201	201	201	Low	201	0	201	201	201	Low	201	0
202	202	202	Low	202	0	202	202	202	Low	202	0
203	203	203	Low	203	0	203	203	203	Low	203	0
204	204	204	Low	204	0	204	204	204	Low	204	0
205	205	205	Low	205	0	205	205	205	Low	205	0
206	206	206	Low	206	0	206	206	206	Low	206	0
207	207	207	Low	207	0	207	207	207	Low	207	0
208	208	208	Low	208	0	208	208	208	Low	208	0
209	209	209	Low	209	0	209	209	209	Low	209	0
210	210	210	Low	210	0	210	210	210	Low	210	0
211	211	211	Low	211	0	211	211	211	Low	211	0
212	212	212	Low	212	0	212	212	212	Low	212	0
213	213	213	Low	213	0	213	213	213	Low	213	0
214	214	214	Low	214	0	214	214	214	Low	214	0
215	215	215	Low	215	0	215	215	215	Low	215	0
216	216	216	Low	216	0	216	216	216	Low	216	0
217	217	217	Low	217	0	217	217	217	Low	217	0
218	218	218	Low	218	0	218	218	218	Low	218	0
219	219	219	Low	219	0	219	219	219	Low	219	0
220	220	220	Low	220	0	220	220	220	Low	220	0
221	221	221	Low	221	0	221	221	221	Low	221	0
222	222	222	Low	222	0	222	222	222	Low	222	0
223	223	223	Low	223	0	223	223	223	Low	223	0
224	224	224	Low	224	0	224	224	224	Low	224	0
225	225	225	Low	225	0	225	225	225	Low	225	0
226	226	226	Low	226	0	226	226	226	Low	226	0
227	227	227	Low	227	0	227	227	227	Low	227	0
228	228	228	Low	228	0	228	228	228	Low	228	0
229	229	229	Low	229	0	229	229	229	Low	229	0
230	230	230	Low	230	0	230	230	230	Low	230	0
231	231	231	Low	231	0	231	231	231	Low	231	0
232	232	232	Low	232	0	232	232	232	Low	232	0
233	233	233	Low	233	0	233	233	233	Low	233	0
234	234	234	Low	234	0	234	234	234	Low	234	0
235	235	235	Low	235	0	235	235	235	Low	235	0
236	236	236	Low	236	0	236	236	236	Low	236	0
237	237	237	Low	237	0	237	237	237	Low	237	0
238	238	238	Low	238	0	238	238	238	Low	238	0
239	239	239	Low	239	0	239	239	239	Low	239	0
240	240	240	Low	240	0	240	240	240	Low	240	0
241	241	241	Low	241	0	241	241	241	Low	241	0
242	242	242	Low	242	0	242	242	242	Low	242	0
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244	244	244	Low	244	0	244	244	244	Low	244	0
245	245	245	Low	245	0	245	245	245	Low	245	0
246	246	246	Low	246	0	246	246	246	Low	246	0
247	247	247	Low	247	0	247	247	247	Low	247	0
248	248	248	Low	248	0	248	248	248	Low	248	0
249	249	249	Low	249	0	249	249	249	Low	249	0
250	250	250	Low	250	0	250	250	250	Low	250	0
251	251	251	Low	251	0	251	251	251	Low	251	0
252	252	252	Low	252	0	252	252	252	Low	252	0
253	253	253	Low	253	0	253	253	253	Low	253	0
254	254	254	Low	254	0	254	254	254	Low	254	0
255	255	255	Low	255	0	255	255	255	Low	255	0
256	256	256	Low	256	0	256	256	256	Low	256	0
257	257	257	Low	257	0	257	257	257	Low	257	0
258	258	258	Low	258	0	258	258	258	Low	258	0
259	259	259	Low	259	0	259	259	259	Low		

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound continues to improve

Sterling continued to advance on the foreign exchanges, breaking through the \$1.13 level, but trading was much steadier than on Wednesday, when the Organisation of Petroleum Exporting Countries meeting in Geneva overhauled the market. Hopes the oil market will now stabilise, after the agreement of the majority of OPEC members on a new pricing strategy, sent support to the pound, and there was little or no reaction to further expectations of a fairly sharp reversal in London clearing bank base rates. At one time it was rumoured a bank was about to cut its base rate, but the market remained much more impressed with the oil situation, and sterling had a firm tone throughout.

Sterling's exchange rate index rose 0.2 to 71.6, and fell to the day's low of 71.3 at 9 am, but then rose to finish at the day's peak.

The pound was strong against the dollar, gaining 45 points to close at the day's high of \$1.1305, after touching a low of \$1.1235. Sterling also rose to DM 3.877, from DM 3.87, and to 100 francs 192.50, from 192.00. The dollar finished slightly weaker overall, at around the middle of the day's range. Bundesbank intervention on the open market to support the D-Mark, and a rise in the German Council meeting, depressed the U.S. currency. The market was also unimpressed by a fall of 0.2 per cent in the U.S. index of leading indicators.

After trading within a range of DM 3.15 to DM 3.1725 the dollar fell to DM 3.1620 from DM 3.1680; FF 9.6725 from FF 9.68; and Sfr 2.6740 from Sfr 2.6750. On Bank of England figures the dollar's index remained unchanged at 146.2.

Changes are for Euro, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Other currencies: The dollar finished slightly weaker overall, at around the middle of the day's range. Bundesbank intervention on the open market to support the D-Mark, and a rise in the German Council meeting, depressed the U.S. currency. The market was also unimpressed by a fall of 0.2 per cent in the U.S. index of leading indicators.

D-MARK — Trading range against the dollar in 1984-85 is 3.1535 to 3.5535. December average 3.1021. Trade-weighted index 120.4 against 122.9 six months ago.

There was little initial reaction to the rise of 1 per cent to 6 per cent in the German Council meeting, and it was not regarded as a strong move by the central bank to change the direction of exchange rates. It was felt the movement of sterling in recent days had shown that currencies are not solely dependent on interest rate movements. This pound has improved, but was initially only marginally supported by higher London interest rates. There was also an indication the Bundesbank

entered the open market as a seller of dollars before the fixing, when another \$21m were sold as the U.S. currency rose slightly to DM 3.1677 from DM 3.1670. The amount of open market intervention was estimated at about \$50m. After the Bundesbank move on the London bank rate the Dutch National Bank increased its discount rate by 1 per cent to 5 1/2 per cent and the official refinancing rate by 1 per cent to 6 per cent.

STERLING EXCHANGE RATE INDEX (Bank of England)

Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1
71.6	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5

STERLING EXCHANGE RATE INDEX (Bank of England)

Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1
71.6	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5

Nervous trading

Sterling based contracts moved erratically in the London International Financial Futures Exchange yesterday. Cash rates were marked up initially, reflecting disappointment over sterling's inability to hold above \$1.13, a level breached in New York and values in the future market were marked down accordingly.

However, prices bounced back, but failed to finish above Wednesday's close. This was mostly due to the Bank of England's decision to leave its money market intervention rates unchanged for the time being, which effectively scotched any hopes of an official signal on lower base rates. Profit taking

later in the day also depressed values.

Euro-dollar prices were sharply lower, influenced by a larger than expected U.S. quarterly refunding programme and a firmer Federal funds rate. News of a 0.2 per cent fall in U.S. load economic indicators failed to dispel market nervousness even though it was well below expectations and compared with a November figure of 0.6 per cent, revised down from the previous figure of 1.3 per cent.

The FTSE contract opened little changed but was sold on profit taking before a late improvement in the pound and recovery in the equity market saw values move above the day's lows.

LONDON

Time	High	Low	Prev
10.00	71.5	71.4	71.5
10.10	71.5	71.4	71.5
10.20	71.5	71.4	71.5
10.30	71.5	71.4	71.5
10.40	71.5	71.4	71.5
10.50	71.5	71.4	71.5
11.00	71.5	71.4	71.5
11.10	71.5	71.4	71.5
11.20	71.5	71.4	71.5
11.30	71.5	71.4	71.5
11.40	71.5	71.4	71.5
11.50	71.5	71.4	71.5
12.00	71.5	71.4	71.5
12.10	71.5	71.4	71.5
12.20	71.5	71.4	71.5
12.30	71.5	71.4	71.5
12.40	71.5	71.4	71.5
12.50	71.5	71.4	71.5
13.00	71.5	71.4	71.5
13.10	71.5	71.4	71.5
13.20	71.5	71.4	71.5
13.30	71.5	71.4	71.5
13.40	71.5	71.4	71.5
13.50	71.5	71.4	71.5
14.00	71.5	71.4	71.5
14.10	71.5	71.4	71.5
14.20	71.5	71.4	71.5
14.30	71.5	71.4	71.5
14.40	71.5	71.4	71.5
14.50	71.5	71.4	71.5
15.00	71.5	71.4	71.5
15.10	71.5	71.4	71.5
15.20	71.5	71.4	71.5
15.30	71.5	71.4	71.5
15.40	71.5	71.4	71.5
15.50	71.5	71.4	71.5
16.00	71.5	71.4	71.5
16.10	71.5	71.4	71.5
16.20	71.5	71.4	71.5
16.30	71.5	71.4	71.5
16.40	71.5	71.4	71.5
16.50	71.5	71.4	71.5
17.00	71.5	71.4	71.5
17.10	71.5	71.4	71.5
17.20	71.5	71.4	71.5
17.30	71.5	71.4	71.5
17.40	71.5	71.4	71.5
17.50	71.5	71.4	71.5
18.00	71.5	71.4	71.5
18.10	71.5	71.4	71.5
18.20	71.5	71.4	71.5
18.30	71.5	71.4	71.5
18.40	71.5	71.4	71.5
18.50	71.5	71.4	71.5
19.00	71.5	71.4	71.5
19.10	71.5	71.4	71.5
19.20	71.5	71.4	71.5
19.30	71.5	71.4	71.5
19.40	71.5	71.4	71.5
19.50	71.5	71.4	71.5
20.00	71.5	71.4	71.5
20.10	71.5	71.4	71.5
20.20	71.5	71.4	71.5
20.30	71.5	71.4	71.5
20.40	71.5	71.4	71.5
20.50	71.5	71.4	71.5
21.00	71.5	71.4	71.5
21.10	71.5	71.4	71.5
21.20	71.5	71.4	71.5
21.30	71.5	71.4	71.5
21.40	71.5	71.4	71.5
21.50	71.5	71.4	71.5
22.00	71.5	71.4	71.5
22.10	71.5	71.4	71.5
22.20	71.5	71.4	71.5
22.30	71.5	71.4	71.5
22.40	71.5	71.4	71.5
22.50	71.5	71.4	71.5
23.00	71.5	71.4	71.5
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23.30	71.5	71.4	71.5
23.40	71.5	71.4	71.5
23.50	71.5	71.4	71.5
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24.30	71.5	71.4	71.5
24.40	71.5	71.4	71.5
24.50	71.5	71.4	71.5
25.00	71.5	71.4	71.5
25.10	71.5	71.4	71.5
25.20	71.5	71.4	71.5
25.30	71.5	71.4	71.5
25.40	71.5	71.4	71.5
25.50	71.5	71.4	71.5
26.00	71.5	71.4	71.5
26.10	71.5	71.4	71.5
26.20	71.5	71.4	71.5
26.30	71.5	71.4	71.5
26.40	71.5	71.4	71.5
26.50	71.5	71.4	71.5
27.00	71.5	71.4	71.5
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27.20	71.5	71.4	71.5
27.30	71.5	71.4	71.5
27.40	71.5	71.4	71.5
27.50	71.5	71.4	71.5
28.00	71.5	71.4	71.5
28.10	71.5	71.4	71.5
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28.30	71.5	71.4	71.5
28.40	71.5	71.4	71.5
28.50	71.5	71.4	71.5
29.00	71.5	71.4	71.5
29.10	71.5	71.4	71.5
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29.30	71.5	71.4	71.5
29.40	71.5	71.4	71.5
29.50	71.5	71.4	71.5
30.00	71.5	71.4	71.5
30.10	71.5	71.4	71.5
30.20	71.5	71.4	71.5
30.30	71.5	71.4	71.5
30.40	71.5	71.4	71.5
30.50	71.5	71.4	71.5
31.00	71.5	71.4	71.5
31.10	71.5	71.4	71.5
31.20	71.5	71.4	71.5
31.30	71.5	71.4	71.5
31.40	71.5	71.4	71.5
31.50	71.5	71.4	71.5
32.00	71.5	71.4	71.5
32.10	71.5	71.4	71.5
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32.30	71.5	71.4	71.5
32.40	71.5	71.4	71.5
32.50	71.5	71.4	71.5
33.00	71.5	71.4	71.5
33.10	71.5	71.4	71.5
33.20	71.5	71.4	71.5
33.30	71.5	71.4	71.5
33.40	71.5	71.4	71.5
33.50	71.5	71.4	71.5
34.00	71.5	71.4	71.5
34.10	71.5	71.4	71.5
34.20	71.5	71.4	71.5
34.30	71.5	71.4	71.5
34.40	71.5	71.4	71.5
34.50	71.5	71.4	71.5
35.00	71.5	71.4	71.5
35.10	71.5	71.4	71.5
35.20	71.5	71.4	71.5
35.30	71.5	71.4	71.5
35.40	71.5	71.4	71.5
35.50	71.5	71.4	71.5
36.00	71.5	71.4	71.5
36.10	71.5	71.4	71.5
36.20	71.5	71.4	71.5
36.30	71.5	71.4	71.5
36.40	71.5	71.4	71.5
36.50	71.5	71.4	71.5
37.00	71.5	71.4	71.5
37.10	71.5	71.4	71.5
37.20	71.5	71.4	71.5
37.30	71.5	71.4	71.5
37.40	71.5	71.4	71.5
37.50	71.5	71.4	71.5
38.00	71.5	71.4	71.5
38.10	71.5	71.4	71.5
38.20	71.5	71.4	71.5
38.30	71.5	71.4	71.5
38.40	71.5	71.4	71.5
38.50	71.5	71.4	71.5
39.00	71.5	71.4	71.5
39.10	71.5	71.4	71.5
39.20	71.5	71.4	71.5
39.30	71.5	71.4	71.5
39.40	71.5	71.4	71.5
39.50	71.5	71.4	71.5
40.00	71.5	71.4	71.5
40.10	71.5	71.4	71.5
40.20	71.5	71.4	71.5
40.30	71.5	71.4	71.5
40.40	71.5	71.4	71.5
40.50	71.5	71.4	71.5
41.00	71.5	71.4	71.5
41.10	71.5	71.4	71.5
41.20	71.5	71.4	71.5
41.30	71.5	71.4	71.5
41.40	71.5	71.4	71.5

CAPITAL MARKETS

IBM breaks 10% coupon barrier with \$300m issue

IBM decisively broke through the

J.P. Morgan made a \$100m seven-year issue, with a 11% per cent coupon, though a 100% issue price. Morgan Guaranty led the deal. There are call options after four years at 101%, after five at 100% and at par after six. The terms looked corrected as the bonds were offered at a 10% per cent discount, inside the 100% per cent total fees. At the gross fees level the issue yields around 30 basic points more than U.S. Treasury securities.

Credit Suisse First Boston's \$100m issue for Saskatchewan, like the earlier Newfoundland issue, was meeting a lukewarm response. Saskatchewan is raising \$100m in a 10-year issue, 10% per cent issue price, at par. But the bonds were trading inside the 1% per cent total fees.

Nomura International made a \$150m issue for Kubota, the agricultural machinery group, this is guaranteed by Fuji Bank. The bonds are 10-year, 10% and 100% interest coupon with a par value issue.

Daiewa Europe brought a \$60m 15-year convertible issue to the market for Kumagai Gumi, the civil engineering group. The coupon is 10%, 100% and 100% interest coupon with a par value issue.

Trading on the Swiss franc foreign bond market was quiet yesterday, and prices fell by as much as 1/4 point.

D-Mark bond market seemed more relieved that the uncertainty over interest rates was over than upset by the increase in Lombard rate to 8 per cent. Activity picked up after the 10:00 am announcement and prices gained around 1/4 point on the day.

	Jan 30	Jan 23	High	Low
Composite Corp. AA	11.76	11.93	14.23	11.83
Government				
Long-term	11.04	11.19	13.99	11.19
Intermediate	10.10	10.25	13.17	11.12
Short-term	9.56	10.21	13.22	10.88
Municipal	N/A	9.28	11.14	8.99
Utilities AAA	11.19	11.43	13.45	11.04
Utilities AA	11.28	11.88	14.13	11.88
Utilities A	11.84	12.01	14.45	12.01
Investment Grade	11.09	12.17	14.62	11.82

Source: Standard & Poor's.

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT,
IN LONDON

The five-year certificates, which bear interest at the six-month London interbank offered rate for Euro-dollar deposits (Libor), met an enthusiastic reception, and the issue was quickly increased by \$200m from an initial \$400m.

The size of the Midland issue also attracted investor interest because it is expected to stimulate active secondary market trading, unlike their certificate of deposit issues, including a recent \$200m deal for

Comsat to tap market

1984 downturn is attributable to a non-recurring write-off and \$4m to

Swiss Bank Corporation and Union Bank of Switzerland. The results, also released unedited, showed a 39 per cent drop in income from continuing operations in 1984.

[illegible]

Stock	Sales	High	Low	Last	Chg	Stock	Sales
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Continued from Page 30

0	12	18	24	30	36	42	48	54	60
01	19	25	31	37	43	49	55	61	67
02	20	26	32	38	44	50	56	62	68
03	21	27	33	39	45	51	57	63	69
04	22	28	34	40	46	52	58	64	70
05	23	29	35	41	47	53	59	65	71
06	24	30	36	42	48	54	60	66	72
07	25	31	37	43	49	55	61	67	73
08	26	32	38	44	50	56	62	68	74
09	27	33	39	45	51	57	63	69	75
10	28	34	40	46	52	58	64	70	76
11	29	35	41	47	53	59	65	71	77
12	30	36	42	48	54	60	66	72	78
13	31	37	43	49	55	61	67	73	79
14	32	38	44	50	56	62	68	74	80
15	33	39	45	51	57	63	69	75	81
16	34	40	46	52	58	64	70	76	82
17	35	41	47	53	59	65	71	77	83
18	36	42	48	54	60	66	72	78	84
19	37	43	49	55	61	67	73	79	85
20	38	44	50	56	62	68	74	80	86
21	39	45	51	57	63	69	75	81	87
22	40	46	52	58	64	70	76	82	88
23	41	47	53	59	65	71	77	83	89
24	42	48	54	60	66	72	78	84	90
25	43	49	55	61	67	73	79	85	91
26	44	50	56	62	68	74	80	86	92
27	45	51	57	63	69	75	81	87	93
28	46	52	58	64	70	76	82	88	94
29	47	53	59	65	71	77	83	89	95
30	48	54	60	66	72	78	84	90	96
31	49	55	61	67	73	79	85	91	97
32	50	56	62	68	74	80	86	92	98
33	51	57	63	69	75	81	87	93	99
34	52	58	64	70	76	82	88	94	100
35	53	59	65	71	77	83	89	95	
36	54	60	66	72	78	84	90	96	
37	55	61	67	73	79	85	91	97	
38	56	62	68	74	80	86	92	98	
39	57	63	69	75	81	87	93	99	
40	58	64	70	76	82	88	94	100	
41	59	65	71	77	83	89	95		
42	60	66	72	78	84	90	96		
43	61	67	73	79	85	91	97		
44	62	68	74	80	86	92	98		
45	63	69	75	81	87	93	99		
46	64	70	76	82	88	94	100		
47	65	71	77	83	89	95			
48	66	72	78	84	90	96			
49	67	73	79	85	91	97			
50	68	74	80	86	92	98			
51	69	75	81	87	93	99			
52	70	76	82	88	94	100			
53	71	77	83	89	95				
54	72	78	84	90	96				
55	73	79	85	91	97				
56	74	80	86	92	98				
57	75	81	87	93	99				
58	76	82	88	94	100				
59	77	83	89	95					
60	78	84	90	96					
61	79	85	91	97					
62	80	86	92	98					
63	81	87	93	99					
64	82	88	94	100					
65	83	89	95						
66	84	90	96						
67	85	91	97						
68	86	92	98						
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70	88	94	100						
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0	12	18	24	30	36	42	48	54	60
01	19	25	31	37	43	49	55	61	67
02	20	26	32	38	44	50	56	62	68
03	21	27	33	39	45	51	57	63	69
04	22	28	34	40	46	52	58	64	70
05	23	29	35	41	47	53	59	65	71
06	24	30	36	42	48	54	60	66	72
07	25	31	37	43	49	55	61	67	73
08	26	32	38	44	50	56	62	68	74
09	27	33	39	45	51	57	63	69	75
10	28	34	40	46	52	58	64	70	76
11	29	35	41	47	53	59	65	71	77
12	30	36	42	48	54	60	66	72	78
13	31	37	43	49	55	61	67	73	79
14	32	38	44	50	56	62	68	74	80
15	33	39	45	51	57	63	69	75	81
16	34	40	46	52	58	64	70	76	82
17	35	41	47	53	59	65	71	77	83
18	36	42	48	54	60	66	72	78	84
19	37	43	49	55	61	67	73	79	85
20	38	44	50	56	62	68	74	80	86
21	39	45	51	57	63	69	75	81	87
22	40	46	52	58	64	70	76	82	88
23	41	47	53	59	65	71	77	83	89
24	42	48	54	60	66	72	78	84	90
25	43	49	55	61	67	73	79	85	91
26	44	50	56	62	68	74	80	86	92
27	45	51	57	63	69	75	81	87	93
28	46	52	58	64	70	76	82	88	94
29	47	53	59	65	71	77	83	89	95
30	48	54	60	66	72	78	84	90	96
31	49	55	61	67	73	79	85	91	97
32	50	56	62	68	74	80	86	92	98
33	51	57	63	69	75	81	87	93	99
34	52	58	64	70	76	82	88	94	100
35	53	59	65	71	77	83	89	95	
36	54	60	66	72	78	84	90	96	
37	55	61	67	73	79	85	91	97	
38	56	62	68	74	80	86	92	98	
39	57	63	69	75	81	87	93	99	
40	58	64	70	76	82	88	94	100	
41	59	65	71	77	83	89	95		
42	60	66	72	78	84	90	96		
43	61	67	73	79	85	91	97		
44	62	68	74	80	86	92	98		
45	63	69	75	81	87	93	99		
46	64	70	76	82	88	94	100		
47	65	71	77	83	89	95			
48	66	72	78	84	90	96			
49	67	73	79	85	91	97			
50	68	74	80	86	92	98			
51	69	75	81	87	93	99			
52	70	76	82	88	94	100			
53	71	77	83	89	95				
54	72	78	84	90	96				
55	73	79	85	91	97				
56	74	80	86	92	98				
57	75	81	87	93	99				
58	76	82	88	94	100				
59	77	83	89	95					
60	78	84	90	96					
61	79	85	91	97					
62	80	86	92	98					
63	81	87	93	99					
64	82	88	94	100					
65	83	89	95						
66	84	90	96						
67	85	91	97						
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Indices

[illegible]

Notice is hereby given to the holders of the \$1 Convertible Subordinated Debentures due 1995 (the "debentures") of Transco International N.V. ("TINV") that:

The facts upon which such adjustment is based are contained in the officer's certificate, a copy of which is filed at each office or agency maintained for the purpose of conversion of debentures and is available for inspection by holders.

TRANSCO ENERGY COMPANY

Houston, Texas

U.S.A.

France to
withdraw

France is to withdraw
of Delhi its ambas-
sador Boilevaux.
This follows the break-
ing up of a sym-
posium involving the leas-
ure Prime Minister's of-
fice, foreign policy
and files.
It is feared that the sym-
posium will affect large de-
cisions for which France

Fields ban

Corruption claims
Special Scotland Yard
investigate alleged
bribe against 199
police officers
and detective.

Man shot dead
A former Ulster
soldier was ch
the IRA in Coun
as he sat at the
has waiting in
a swimming

Arbamb kills 10

cleared
by Jonathan A. ...
by a High ...
filing one of his ...
ments by passing ...
role of Sue Ellen ...
in Dallas.

Black warning

His scare
The Department of
wished a more exorcising
the homosexuals a
not to the
of the fear of

Entire family rescued
British family of five
12 days on a raft
after their yacht
rescued by a N
up

Boxer sentenced

European li
eight boxing champio
"Bubi" Scholz was
five-year suspensio
sentence in West R
killing dead his wife
High price of ice

...Telecome agree
...Court to pay
...to a woman
...it was in blame
...path of which c
...in skid and crash. I
...evidence.
...India's

India were 525 for
first innings at
Kanpur on the
fifth and first
against England.

MARKETS
DOLLAR
New York lunchtime
DW 3.18653
FF 9.735
SwFr 9.720

DM 3.1785 (3.162)
 FF 9.71 (9.5725)
 G-FF 2.7025 (2.674)
 125.7 (1254.8)
 Solar Index 146.7
 ... closer ...

Y255.45
LUNCHTIME R.
Funds 81% (9.0)
Tough Treasury Bill
81% (8.04)
Bond: 103 (104)
Yield: 11.34 (11.22)
GOLD
SILVER

New York: Comex Fe
 3304 (3041)
 London: 3304 (\$3061)
 PHARMACEUTICAL SELLING P
 8:00: W. Garms
 1:30: Portugal Esc 75
 1:00: Malta 20c